



Governmental Support for Social Responsibility in Small and Medium-sized Enterprises

– a comparative study of Sweden and the United Kingdom

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Governmental Support for Social Responsibility in Small and Medium-sized Enterprises

– a comparative study of Sweden and the United Kingdom

*Statligt stöd för miljö- och sociala frågor till små och medelstora företag
– en jämförande studie mellan Sverige och Storbritannien*

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Katarina Buhr & Anna Hermansson

Abstract

Several European governments have pointed out corporate social responsibility (CSR) as a deliberate strategic area with potential to enhance the national competitiveness on sustainable terms. CSR can be understood as a contribution by the private sector to sustainable development. In this paper, CSR will be referred to as social responsibility when small and medium-sized enterprises (SMEs) are in focus of the discussion, since the word “corporate” often is associated with larger companies. From a national as well as an international perspective, it is crucial to include SMEs in the expanding work with CSR to ensure that it spreads among all sections in business, which is likely to lead to positive effects on society. Each government has an opportunity to influence the country’s future direction of CSR through political means of control and the work on developing effective support measures.

This paper contributes to the understanding of how the CSR message is handled and communicated by governments in different countries due to the complexity and the politics involved. It provides an overall picture of Sweden’s and the United Kingdom’s governmental support for social responsibility in SMEs and put them into comparison.

Two opposite trends can explain the practical differences, but also points of similarities, that exist in European countries. One trend is the national context that sets the preconditions for each country’s work on CSR and is counteracting the other trend which is the creation of an international framework for CSR that aims to harmonize the countries’ procedures. The main findings are that CSR appears to be managed more strategically within the UK government compared to the Swedish government and that it has a profound effect on the way that the support measures for SMEs are designed. The United Kingdom offers a holistic approach to the CSR concept to a greater extent than Sweden where it is more common to focus on specific areas within CSR. Sweden primary focus on sustainable development in all parts of society whereas the United Kingdom points out the potential of business’ voluntary activities as a major contribution to sustainable development. One explanation for this can be found in the fact that the UK government relies on the private and voluntary sector to a greater extent than the Swedish government.

Sammanfattning

Ett flertal europeiska stater har pekat ut ”corporate social responsibility” (CSR) som en medveten strategi med potential att öka den nationella konkurrenskraften inom området hållbar utveckling. CSR är den privata sektorns frivilliga arbete för att bidra till hållbar utveckling. I denna studie kommer ”social responsibility” att användas för att beskriva små och medelstora företags arbete med CSR, eftersom ordet ”corporate” på engelska ofta associeras till storföretag. Det är viktigt att inkludera små och medelstora företag i det snabbt växande området både nationellt och internationellt för att budskapet ska spridas till hela den privata sektorn, vilket kan leda till positiva effekter på hela samhället. Varje lands regering har möjlighet att påverka hur CSR ska utvecklas i framtiden genom politiska styrmedel och det fortsatta arbetet med att utveckla specifika stödåtgärder till små och medelstora företag.

Denna uppsats syftar till att bidra till förståelsen för hur budskapet om CSR hanteras och kommuniceras i olika länder med bakgrund av ämnets komplexitet och den politiska kontexten. Uppsatsen syftar även till att ge en översikt av Sveriges och Storbritanniens stödåtgärder för socialt och miljömässigt ansvar till små och medelstora företag och att sätta dessa i jämförelse.

Två motsatta trender kan förklara förekomsten av praktiska skillnader och likheter på CSR-området i europeiska länder. Den ena trenden är den nationella kontexten som ger förutsättningarna för varje lands arbete med CSR och motverkar den andra trenden som är utvecklingen av det harmoniserande internationella arbetet för att skapa ett gemensamt ramverk på området. Uppsatsens huvudsakliga resultat visar att CSR hanteras på ett mer strategiskt plan inom den brittiska regeringen jämfört med den svenska och att det har en betydande effekt på hur man designar stödåtgärder för små och medelstora företag. Storbritannien har ett mer holistiskt förhållningssätt till CSR-konceptet än Sverige, som snarare arbetar mer separat med frågor som ryms inom begreppet. Sverige fokuserar primärt på hela samhällets arbete med hållbar utveckling, medan Storbritannien pekar ut potentialen i näringslivets frivilliga aktiviteter som en väsentlig del av hållbar utveckling. En förklaring till detta kan återfinnas i att den brittiska staten förlitar sig mer på den privata och frivilliga sektorn än den svenska staten.

Abbreviations

BITC	Business in the Community
CSR	Corporate Social Responsibility
DTI	Department of Trade and Industry
EEA	European Economic Area
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
IGO	Intergovernmental Organisations
ILO	International Labour Organization
ISO	International Organization for Standardization
MNE	Multinational Enterprise
NGO	Non-governmental Organisation
OECD	Organisation for Economic Co-operation and Development
SBS	Small Business Service
SCA	Swedish Consumer Agency
Sida	Swedish International Development Cooperation Agency
SME	Small and Medium-sized Enterprise
TBL	Triple Bottom Line
UK	United Kingdom
WBCSD	World Business Council for Sustainable Development

Swedish official translations

Coordination Unit for Sustainable Development	Samordningskansliet för hållbar utveckling
Department of Sustainable Development	Enheten för hållbar utveckling
Environment-driven Business Development	Miljödriven affärsutveckling
European Commission	Europeiska kommissionen
European Council	Europeiska rådet
European Economic Area	Europeiska ekonomiska samarbetsområdet
European Union	Europeiska unionen
Jobs and Society	Nyföretagarcentrum
Ministry for Foreign Affairs	Utrikesdepartementet
Ministry of Industry, Employment and Communications	Näringsdepartementet
Social Democratic Party	Socialdemokraterna
Swedish Business Development Agency	Nutek
Swedish Consumer Agency	Konsumentverket
Swedish International Development Cooperation Agency	Styrelsen för internationellt utvecklingssamarbete
Swedish Partnership for Global Responsibility	Globalt ansvar
The Social Venture	Etikresan
United Nations	Förenta nationerna
World Bank	Världsbanken

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1 Introduction

That business voluntary would forgo economic resources in favour of contributing to sustainable development that benefits society may sound like a contradictory equation. Still, this is exactly what is happening among an increasing number of businesses, a phenomenon commonly referred to as corporate social responsibility (CSR). It is about businesses efforts to contribute to sustainable development by finding a balance between the social, environmental and economic dimensions. The issues covered by the concept of CSR are based on ethical and moral values but there exists a widespread conception that it brings financial benefits as well (e.g. Porter, 1996). The whole society can benefit from businesses getting involved, which attracts many different stakeholders to participate in the encouragement of businesses to engage in CSR issues.

Governments have pointed out CSR as a deliberate strategic area aiming at enhancing the national competitiveness on sustainable terms (Grayson, 2003). From a national as well as an international perspective, it is crucial to include small and medium-sized enterprises (SMEs)¹ in the expanding work with social responsibility. To a great extent, the European Union has encouraged its member states to support businesses work with these issues through various means. The majority of the European companies are SMEs, which gives them an important role in ensuring that social responsibility spreads among all sections in European business (Internet, CSR Europe 1, 2004).

Analysis of the issue in SMEs has received little attention from researchers in comparison to large enterprises (EC 1, 2002). In communicating the concept of CSR it has become increasingly common to exclude the word “corporate” which tends to be associated with large companies (CSR Europe, 2002). What is known as CSR is therefore today simply often referred to as social responsibility when SMEs are in focus of the discussion.

1.1 Problem background

In spite of the fact that research from e.g. the Organisation for Economic Co-operation and Development (OECD) indicates that purely voluntary approaches within CSR tend to be less effective than regulation (OECD, 2003), voluntary ethical behaviour within the business sector gets more and more attention within the European Union (Ikei, 2001). The European Union strives for enhancing the European competitiveness and it is convinced that social responsibility among SMEs reinforces this (Grayson, 2003). However, the task of handling and communicating the message of CSR in different countries is very complex.

Due to the fact that the member states within the European Union are very heterogeneous, many issues can only be treated at a general level and not be governed in detail at a European level (Gribben et al., 2000). Encouraging responsible behaviour within the business sector is highly prioritised in some countries and a low priority in others. In addition, CSR is a wide concept that covers many different aspects. What parts that are

¹ Organisations with less than 250 employees, a turnover of less than 40 million Euros and an annual balance sheet lower than 27 million Euros (Internet, EU 1, 2004).

considered as important and prioritised vary. The complexity is enhanced by the fact that each country has its own ideas about who is responsible for what.

Each country supports their SMEs from their own prerequisites. Two countries that are influenced by the same international forces can approach this issue significantly different. Sweden and the United Kingdom have both been given attention for their efforts in the area of CSR (pers. mess., Henningson, 2004). Even though these countries appear to be comparable, the governmental procedures in these countries may vary considerably. A comparison provides an illustration of how European governments translate the message of CSR and how they pay the message forward in a national context.

1.2 Aim

The aim with this study is to provide case studies on how the governments in Sweden and the United Kingdom respectively handle and communicate the message on corporate social responsibility (CSR) due to the complexity and the politics involved. The objective is to provide an overall picture of each country's governmental support for social responsibility in small and medium-sized enterprises (SMEs) and put them into comparison.

1.3 Delimitations

The study was delimited by choosing to compare only two member states of the European Union, Sweden and the United Kingdom. Focus is mainly on current governmental efforts through their own agencies and by collaboration with third parties. Organisations that interact and affect SMEs without governmental support are excluded. Non-governmental organisations (NGOs) are not in focus of our study and are only briefly described to contribute to an accurate overview of the CSR area where they are very active. Reciprocal relations are only mentioned but not further elaborated on. Instead, our focus is the governments' attempts to reach SMEs mainly in a one-way direction.

1.4 Outline

Chapter 1 intends to give the reader an introduction to the subject and provide an overview over the paper. The second chapter presents the method chosen in this study. The third chapter will introduce CSR thereby providing an empirical background. The fourth chapter will concern the theories used in this study to provide a theoretical frame for the empirical chapters 5, 6 and 7. The international approaches towards CSR issues are discussed in chapter 5. Sweden and the United Kingdom's approaches to the CSR concept are covered in chapter 6 and 7. The empirical findings will be compared and analysed in chapter 8 and the conclusions drawn from that comparison will be presented in chapter 9. The epilogue in chapter 10 will draw parallels to previous studies in related areas and suggest future research within the subject.

2 Method

This chapter will provide a brief presentation over the method applied in this paper and provide a framework for the research process. An insight into the procedures will reveal how reliable the chosen method is, since method is a matter of making choices and being aware of research behaviour.

2.1 Research procedures

We applied an inductive approach in line with Lundahl & Skärvad (1999) definition of starting by investigating reality through observations and then interpret the results and look for patterns. The research approach chosen in this thesis is a qualitative examination, which is reasoning an inductive approach. The decision of whether to choose a quantitative or a qualitative design is a philosophical one (Streubert & Carpenter, 1995). We have chosen a qualitative approach because the area is relatively complex and has not been subject to a lot of research. It means that it does not exist many theoretical models to depart from, as would be desirable in a deductive approach. Many individual interpretations have been made and we have raised research questions and not emanated from a hypothesis.

Comparative cases based on interviews from Sweden and the United Kingdom serve as an empirical base for this study. Choosing case studies as a method can be a good way to match the research question (Wigblad, 1997) as it is in this comparative study. The cases are constructed by taking interest in a certain phenomenon, CSR, from a certain angle, a governmental in this case (Birgerstam, 2000). According to Saunders (1997), cases can engender new concepts and provide an understanding of how these concepts relate to one another. Similarities and differences between cases are often illustrated in a matrix where explanations and reflective thoughts illustrate a so-called comparative content analysis, which refers to cross case analysis. To build comparative cases, interviews have been carried out in both Sweden and the United Kingdom.

2.2 Data collection

We have studied official material of governmental activities within the CSR field. To reveal each country's engagement in CSR issues we examined relevant initiatives that the government is involved with; how the initiatives are designed; if the concept is managed strategically; and the official recognition of the concept. The country's involvement in international incentives is another measurement of the domestic priority of these issues. In addition, we have studied other secondary material concerning CSR such as scientific articles and other publications to explain the fundamental differences in each country's governmental support of SMEs work with social responsibility.

Sources like articles from well-known scientific periodicals are considered reliable (Nyberg, 2000). A trustworthy source is a publication that has been reviewed by an outside

expert before the publication in order to make sure that the article has a high scientific standard. It is important to be careful in the use of information from the Internet (ibid, 2000). Much information provided on the Internet does not origin from reliable sources. However, there are many examples of valuable scientific sources available on the Internet. Many researchers choose to use the Internet as a fast and cheap medium. Material and reports published on homepages from recognised international and national organisations have been useful material in our study.

2.3 Interviews

Supplementary to the official material on the countries’ work, we have carried out interviews with persons engaged in CSR issues in Sweden and the United Kingdom. Such interviews have been helpful when examining the research question since we have approached it from a governmental perspective.

2.3.1 Performed interviews

The interviewees were chosen in order to get a broad picture of how the governmental support on CSR is carried out. Actors with similar responsibilities were contacted in both countries to make the comparison as useful and reliable as possible. A classification of selected interviewees is shown in Box 1.

	Sweden	United Kingdom
Supporting governmental departments for CSR	<ul style="list-style-type: none"> • Ministry of Industry, Employment and Communications <i>Herbert Silbermann</i> • Ministry for Foreign Affairs <i>Elenore Kanter</i> <i>Hanna Berheim</i> • Coordination Unit for Sustainable Development <i>Helen Ågren</i> 	<ul style="list-style-type: none"> • Department of Trade and Industry <i>Jennifer Rahman</i> <i>Jane Leavens</i>
Supporting governmental organisations for SMEs	<ul style="list-style-type: none"> • Nutek <i>Stefan Henningsson</i> • ALMI <i>Ann-Sofi Gaverstedt</i> 	<ul style="list-style-type: none"> • Small Business Service <i>Janette Entwisle</i> <i>Karen Wilshaw</i>
Engaged business led organisations in CSR	<ul style="list-style-type: none"> • Jobs and Society <i>Harry Goldman</i> 	<ul style="list-style-type: none"> • Business in the Community <i>David Grayson</i> <i>Clare Southwell</i>

Box 1: Classification of selected interviewees.

The interviews have been performed both individually and in small groups of 2-3 persons. The reason for letting more than one person attending at the meeting in some cases is to allow the participants to complement each other and perhaps provide another perspective on the research questions. Each interview was individually prepared for the persons at the meeting. Since we applied a qualitative research approach we strived to open up for a more spontaneous interview procedure and answers (Kvale, 1997). We did not look for specific answers to classify. Instead we wanted to take part of different visions and experiences from these issues in general. According to Kvale it is important to have a sound knowledge of the subject before performing the interviews. The interviews were performed halfway through the research process in order to get enough preparation time in advance, as well as time to analyse and draw conclusions after completing the interviews.

2.3.2 Tools and documentation

To facilitate the interviews a preparatory letter with a guide of theme questions was sent out a week prior to the meeting. A basic template was used as a starting point for formulating specific themes to each interviewee (Appendix 1). The guide aimed to describe an overall presentation of what themes the interview was going to cover. It also aimed to retain openness during the interview and to avoid leading questions (Kvale, 1997). Even if we had a set of direct formulated questions prepared to the actual interview situation the themes allowed flexibility of how strictly we should follow them. The answers from the first interviews were used to design the next coming. To verify data in previous interviews we brought up interpretations during the subsequent interviews to get a second opinion, a process called validating sequences in interviews.

The interviews were registered by tape recorder and MP3. Recording the conversation allows the interviewer to concentrate on the subject and dynamics of the interview (Kvale, 1997). According to Kvale it is important to continuously confirm the interpretations of what has been said during the actual interview, which we took into consideration.

After each interview, we summarised it from the recordings. This is called an interpretation process (ibid, 1997). The summary is no essential data but a construction of a verbal communication. We chose to summarise the interview to get more formal written characteristics. Imagining the formulation that the interviewee would have chosen in a written document was the basis for the summary. This was justified by the purpose of giving a general impression of the interviewee's opinions (ibid, 1997). To validate the material and secure its' quality, the interviewees got the opportunity to read over summaries of the interviews in order to agree to it before we used the material. The quotations ultimately used in the paper was sent out in its context and re-approved.

2.4 Data analysis

Designing two chapters with identical headlines facilitated the comparative analysis of empirical data. The background needed in order to provide a broad understanding of the support measures for social responsibility in Sweden and the United Kingdom was presented. The empirical chapters were mainly built on written material. To support the empirical data, we used material from the interviews. The content of the paper has been consolidated by a critical approach, which has been characterising the analytical research process. Despite our own critical mind, our opponents and the interviewees have been of great value to scrutinize the material.

2.5 Handling possible errors

Much of the written material used was provided from governments or organisations with promotion as one of its objectives. Insufficient critical reading or missing material may have caused errors in the presentation of the empirical material. Another part where research errors might have appeared is in the handling of interviews. Due to limited numbers of interviews or possible partiality among the theoretical and empirical material or the people interviewed the reliability can be questioned. Errors can also have occurred in our formulation of the interview questions (Kvale, 1997). The reliability and validity of the summary of the interview is another possible error. The interviewee's answers can have been affected from possible positive or negative reactions from us during the meeting (ibid, 1997). Handling translations between English and Swedish are an additional possible error that might have occurred throughout the process.

3 Introducing CSR

This chapter aims to introduce the concept of CSR, facilitate the understanding of the next-coming chapters and provide a presentation to the terminology to all readers regardless of their previous knowledge in this subject. It includes definitions of the key concepts of this paper and provides an overview of what CSR is about.

3.1 The increased interest in CSR

Ethical thinking is not something new, but has appeared under various terms in different eras. The debate on sustainability blazed up in the late 1980s when the term “sustainable development” received widespread attention with the launching of the Brundtland Report *Our Common Future* in 1987. The report defined sustainable development as satisfying present needs without compromising the ability of future generations to meet their own needs. It calls for all parts of society to work towards this objective. Fairly soon it came clear that sustainable development would not become a reality without significant contribution from the business sector.

CSR is closely related to the concept of sustainable development, and can be understood as the business contribution to sustainable development (EC 1, 2002). The objective with CSR is ultimately to reach sustainability. The debate on CSR is exceedingly evolving and the formulation of what should be included is just getting started (Horn af Rantzien, 2003). The growing interest for these issues among enterprises is particularly obvious in our Western societies (EC 1, 2002). However, the Brundtland commission emphasises that sustainable development should be seen as a global objective (EC, 2001). The concept of CSR is strongly linked with an approach called Triple Bottom Line (TBL). TBL is easy to grasp and makes a good starting point to this complex subject.

3.2 Triple Bottom Line (TBL)

The main idea of TBL is that organisations should work with environmental and social issues side by side with the economy (EC 1, 2002). The TBL alludes to the income statement and communicates that the financial results are equally important to the company’s social and environmental performance. In addition to this, the three areas should not be seen as separate issues as traditionally, but as integrated matters. Figure 1 illustrates the shifted perspective on the three pillars of sustainability.

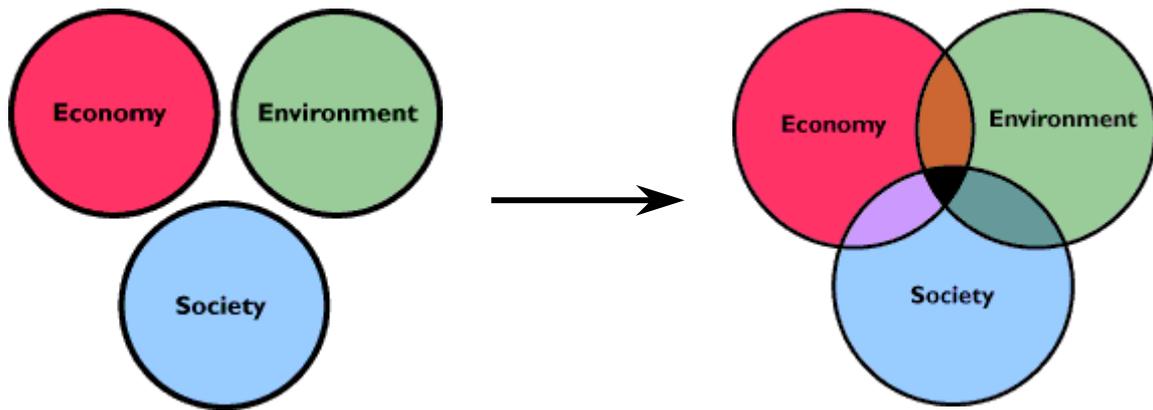


Figure 1: Shifted perspective on the three pillars of sustainability - from separate to integrated matters (Internet, Sustainable Measures 1, 2004).

Traditionally, it has been conventional to view and work with economy, society and the environment as three unrelated parts (Internet, Sustainable Measures 1, 2004). Economic development councils have tried to create more jobs; social needs have been addressed by health care services; and housing authorities and environmental agencies have tried to prevent and correct pollution problems.

It is not very efficient that related problems are being dealt with as isolated issues. An approach that takes the links between the economy, the environment and the society into account is necessary. The three parts are connected to each other by mutual dependence and occasional conflicts (Bergström et al., 2002). An integrated view of the three dimensions communicates the need to strive for a common goal of sustainability instead of seeing them as competitive issues in resource allocation (pers. mess., Henningsson, 2004).

Understanding the three parts and their interaction is the key to understanding sustainability. It is about recognising the connections between the social, economic, and environmental aspects and achieving a balance (Internet, Sustainability 1, 2004). This can also be illustrated in another way (Internet, Sustainable Measures 2, 2004). The circles within circles clarify how the economy exists entirely within society and the society exists entirely within the environment (Figure 2).

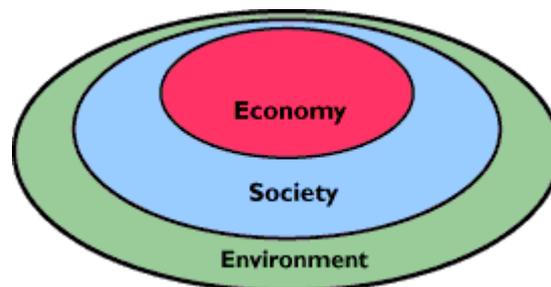


Figure 2: Illustration of how the economy exists within society, which in turn exists within the environment (Internet, Sustainable Measures 2, 2004).

This illustration is not only showing the three aspects interactions but also the importance of seeing them as integrated and how they relate to each other. Rather than three partially connected circles this illustration forms a picture of how to strengthen sustainability (Internet, Sustainable Measures 2, 2004). The human economy requires interaction among people and

its surroundings and will not exist without these basic fundamentals. Society is much more than just the economy and involves many other important elements that are not primarily based on exchanging goods and services. The environment surrounds the society and will always be a precondition for it since it provides people with the basic needs for surviving.

CSR is closely related to the TBL approach. It has become a concept with many different interpretations and defining it is essential for further reading.

3.3 Defining CSR and social responsibility

The idea of voluntary social and environmental practises of business has developed rapidly recent years and different organisations have worked with these issues under various terms and with slightly different focus (EC, 2002; Moon, 2004). Corporate Social Responsibility; Responsible Entrepreneurship; Corporate Citizenship; Corporate Sustainability; Corporate Responsibility; Social Responsibility and Integration of Sustainable Development in Industry Policy are all common English terms² to describe this phenomenon and they are in many ways synonymous (Moon, 2004). This has led to a general confusion of the concepts (pers. mess., Silbermann, 2004).

In this paper, CSR will be used as a term to describe the subject in general and the term social responsibility will be applied when discussing it with SMEs in focus. Since the word “corporate” often is associated with large corporations it is arguable to drop this word when dealing with SME issues and simply call it social responsibility (CSR Europe, 2002). The meaning of these two concepts is identical. This division is motivated due to a general acceptance of the concept of CSR to cover all stakeholders and the parallel emerging idea of excluding the word corporate to specifically target SMEs.

The European Commission’s *Green Paper* on CSR (EC, 2001) sets out a definition on CSR that will be applied throughout this paper. All practises that can be identified as applicable to the definition are referred to as CSR or social responsibility in this paper, although the actual practitioners might call it something else. The *Green Paper* definition is chosen since the two countries in our case studies to a great extent have been influenced by the European Unions approach to this area. The definition of CSR and social responsibility is defined as:

“... a concept whereby companies integrate social and environmental concerns in their daily business operations and in their interaction with their stakeholders on a voluntary basis.”

(EC, 2001, p. 11).

This definition goes beyond compliance and focus on the responsibility that the company has towards the society as a whole, beyond the responsibility to follow the law and the demand to stay profitable (Moon, 2004). Regulation in this field would thereby be meaningless to discuss and impossible to carry out since CSR activities are voluntary by definition (Morsing

² Examples of Swedish terms are: *hållbart företagande*; *socialt ansvarstagande* and *företagens sociala och miljömässiga ansvar*.

& Thyssen, 2003). However, it is important to notice that what is relevant to include in the definition of CSR is dependent upon the focus of the discussion. Choosing the European Commission definition makes it natural to discuss the business contribution to CSR within a particular country (Horn af Rantzien, 2003). This is explained by the fact that the legal basis differs between countries. Figure 3 illustrates the theoretical differences of practising CSR according to the European Commission definition in two countries due to the level of responsibility regulated by international and national law. This figure does not claim to reflect the two countries chosen for this comparative study, neither will it serve such purpose in this paper.

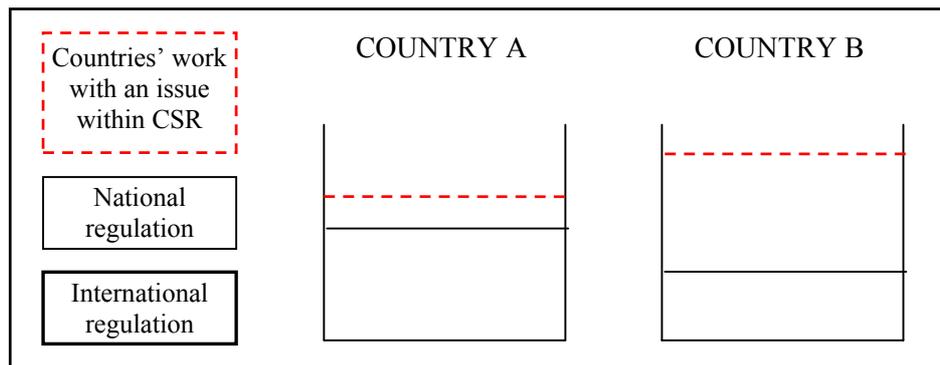


Figure 3: Theoretical differences of practising CSR in two countries due to the national and international regulation.

Since the European Commission defines CSR as what companies do beyond the law, the exact same activities can be classified as CSR in one country whereas it is simply in compliance with the law in another. Some people argue that the definition of the European Commission should include both regulated and voluntary activities and that it should be based on the true characteristics of the activities instead (Morsing & Thyssen, 2003). But if regulated issues were included then everybody would be involved in CSR and the concept would lose its attraction. In many developing countries there is a legal vacuum in e.g. human rights and environmental concern (Horn af Rantzien, 2003). An appropriate definition of CSR in that context would be the one argued by United Nations *Global Compact*, which focuses on a lowest level of decency from business. Within the European Union the legal framework in these issues is highly developed and compliance with the law is somewhat taken for granted in terms of responsible behaviour (Swift & Zadek, 2002). Working in line with the European CSR definition beyond compliance raises more complex political issues since it addresses the allocation of roles between the public and the private sector (pers. mess., Kanter, 2004). This paper will continue by letting the definition of the European Commission serve as a starting point.

CSR acts as an umbrella for many related concepts (Morsing & Thyssen, 2003). There are several dimensions of CSR, which is essential to clarify. These different dimensions are drawn from the social, environmental and economic field and Figure 4 provides some examples of what they may be.

ENVIRONMENT	SOCIAL	ECONOMIC
<ul style="list-style-type: none"> • Resource use (materials, water use, energy) • Waste (landfill) • Pollution (air, water, soil) • Biological diversity • Environmental management systems • Eco-labelling 	<ul style="list-style-type: none"> • Labour rights • Workplace diversity • Security • Health care • Education • Social integration • Job creation 	<ul style="list-style-type: none"> • Quality • Innovation • Responsible supply chain management • Fair pricing • Customer satisfaction • Ethical advertising

Figure 4: Examples of issues within the three dimensions of CSR (EC, 2003, p.9).

CSR covers a wide range of activities, internally and externally. It can be a small activity, like supporting the local football team, or a whole business idea that actually goes far beyond the traditional role of a company. A holistic approach to the concept means practices relating to each of the categories (EC, 2003). Such a holistic approach is more consistent to the objectives of sustainable development and can lead to greater synergies and benefits than focusing on only one category. Most firms are involved in CSR or social responsibility somehow without even being aware of it (pers. mess., Southwell, 2004).

To concretise the concept of social responsibility, a case is presented in Box 2 of how a SME is working with it in practice. This is an exemplary case and it is important to stress that social responsibility does not have to be that extensive. Still, it can provide an insight of how far beyond the traditional objective to stay profitable that social responsibility can take us.

Case: SÅNGA-SÄBY

Sånga-Säby is running conference services in the Stockholm area and employs 55 people. It has an extensively ecological profile but operates within all categories of social responsibility, thereby applying a holistic approach. Sånga-Säby uses environmentally friendly equipment, helps their customers to reduce emissions in association to their visit, offers a significant amount of ecologically labelled food and uses energy from renewable sources. In addition to a recruitment policy pervaded by workforce diversity, Sånga-Säby offers its employees great possibilities to affect their working situation. Flexible work hours, health control, paid workout classes and massage sessions for employees during work hours are examples of additional actions that aim to ensure employee satisfaction. The company offers work opportunities and training for apprentices, but also the unemployed and people recovering from illness. The company is running a communal day-care centre and local NGOs and associations are offered free meeting rooms. Sånga-Säby is constantly developing their scheme on social responsibility to further create long-term relationships with customers.

Box 2: Case of social responsibility within Sånga-Säby (EC, 2003, pp. 48-49).

4 A theoretical frame

This chapter contains the theories that will underlie the upcoming empirical findings and substantiate the objectives of the study. It covers an overview of how CSR spreads in society and a presentation of the governmental and SMEs respectively perspective on social responsibility.

4.1 CSR within the society

Many actors share a common opinion that the business community and civil society bear a shared responsibility for sustainable development (Internet, EU 2, 2004). The business sector's strategically work to contribute to sustainable development has been a topic under discussion in recent years. In a relatively short period of time, CSR seems to have gained wide acceptance in many parts of the world, an impression strengthened by an increasing amount of publications, campaigns and promotion material constantly emerging. This is no coincidence. The theoretical background for why and how CSR has become so popular will be presented below.

4.1.1 Spreading attractive ideas

For an idea to get a foothold in society, it needs to have certain attractive characteristics (Engwall & Sahlin-Andersson, 2002). An attractive idea needs to be future-oriented, contain a certain degree of truth and be vague enough to be applicable to many different contexts (Meyer, 1996). If the idea is vague it can arouse curiosity and allow scope for recipients to adjust for their own specific needs. It must be easy to apply and allow managers to choose how to implement it in their operations and what practical consequences that will come out of it. On the other hand, vague ideas can create insecurity when not providing unambiguous action plans that are easy to interpret. In addition, it raises the risk that organisations can give themselves out as being part of something for a minimum amount of effort.

4.1.2 CSR actors

Those who spread and define CSR are so called experts that provide the business with information about how they should act (Morsing & Thyssen, 2003). In the case of CSR, many individuals and organisations want to participate in the definition of the concept and define the appropriate business practice. It is the business together with other actors, for example the government, that shape the framework of CSR. A commonly accepted formulated definition does not exist and the concept has therefore been, and still is, shaped and affected by many different factors and actors. The idea of how enterprises should approach CSR can be seen as a creation from the interaction between different stakeholders which make statements on what they believe is the appropriate practise (Figure 5).

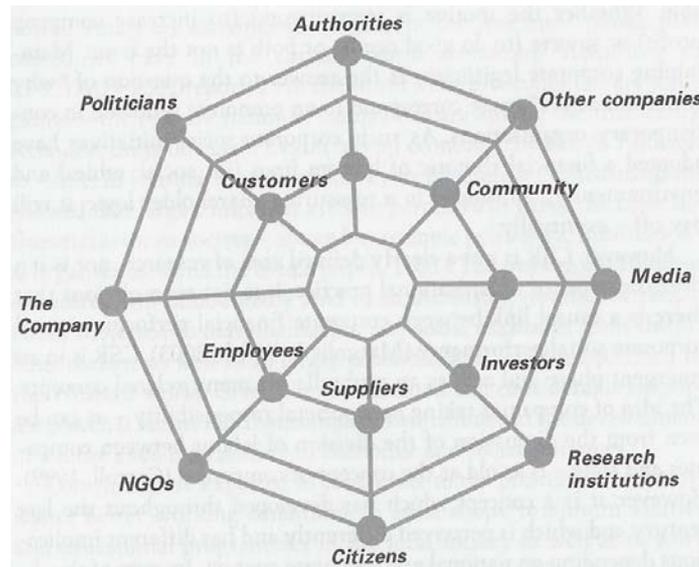


Figure 5: Actors that have participated in shaping the framework of CSR (Morsing & Thyssen, 2003, p.14).

The figure above illustrates actors that participate in the creation and definition of the concept CSR. It relates to the overall relationship of the corporation with all of its stakeholders. CSR actors, apart from the company itself, include politicians; authorities; other companies; media; research institutions; citizens; NGOs; employees; customers; communities; investors; and suppliers (Morsing & Thyssen, 2003). Opinions about what CSR should be differ between them. A paper from the European Commission reveals that enterprises stress the voluntary nature of CSR and dislike regulation since it would stifle innovation (EC 2, 2002). Trade unions and civil society organisations argue for an opposite approach based on the fear that voluntary initiatives are not enough to guarantee responsible business behaviour. Investors call for disclosure and transparency within CSR activities and consumers demand trustworthy and complete product information.

This paper acknowledges the circumstance that governments operate in a reciprocal context where they act both as receivers and distributors of information. It is assumed that several actors influence them and that they have an opportunity to participate in the creation of the concept as well. Governments are not the only organisations that are trying to influence businesses although they have a unique power position in their country. There are forces from different levels of society that influence businesses' approach to CSR (Figure 6). We would like to clarify that the figure does not propose a hierarchical order and that SMEs themselves have an opportunity to influence actors at higher levels as well, although not illustrated in the upcoming figure.



Figure 6: Organisations at different levels of society that can influence SMEs (UNEP, 2002, p. 7, minor modifications).

Figure 6 illustrates how SMEs are influenced by organisations at several levels through existing information routes (UNEP, 2002). One level often affects the next coming directly and the levels beneath indirectly. The message of CSR is broad in an international context to make it applicable to many different areas (Swift & Zadek, 2002). The further down in the chain the more it has to be narrowed and adjusted to local conditions. Information gatekeepers on all levels are required to communicate the message of social responsibility. In order to inform SMEs and get them engaged in environmental and social responsibility issues worldwide it is essential to invest in local and regional networks (UNEP, 2002). Different stakeholders at separate levels have to work together in order to raise awareness among SMEs. It is necessary to provide tools that help them to integrate environmental and social affairs into day-to-day business practice and establish economic framework conditions that reward these efforts.

At the top-level international organisations such as intergovernmental organisations (IGOs) and non-governmental organisations (NGOs) can be identified. An IGO is an "institution drawing membership from at least three states, having activities in several states, and whose members are held together by a formal agreement" (Internet, Encyclopaedia Britannica 1, 2004). It consists primarily or whole of governmental representatives. An NGO is defined as an "organization that is not part of any government" (Internet, Encyclopaedia Britannica 2, 2004). It consists of non-governmental representatives and individuals. Most NGOs are associated with non-profit activities and are often financed by private donations, international organizations, governments, or a combination of these. It does not have any international legal status and do not enter into international agreements themselves. Their role is rather to promote such agreements.

Regional international organisations operate within a large geographical area of similar interests, such as Europe. They influence national and regional agencies within a specific country. These agencies reshape the concept to their national conditions and send the message forward in a revised form (pers. mess., Henningson, 2004). At local level, the message gets real for many SMEs since most SMEs focus their activities locally (Ikei, 2001).

4.2 Governmental perspective on social responsibility

There are theoretical explanations to why the governments' support measures for social responsibility in SMEs are developed in a certain way. It is therefore necessary to get an introduction to why conceptions differ about what the government should or should not do; what opportunities the government has to support the SMEs and what incentives that drives such governmental support measures. Identifying public welfare systems is needed to enhance the understanding of where the private sector steps in and plays a role through CSR practices.

4.2.1 Societal norms and welfare strategies

Society is built upon common norms that make up an unspoken order of what is considered to be the appropriate way for individuals and organisations to act (e.g. Meyer, 1994). These norms can be expected to differ from country to country. The allocation of responsibilities between the public and the private sector reflects common conceptions within the country and creates anticipations of the stakeholders' role in various situations.

A ten-year study of the welfare development in Europe (Noll et al. 1, 2003) sets out three distinct welfare strategies within the European Union member states. The point of departure for their study is that welfare is created on the labour market and is completed through the national welfare politics and family support. An effective labour market is dependent upon low unemployment and small wage differentials, and it is the basis for welfare through its key role in economic growth. Welfare politics affects the development through support measures and social services. The family provides support in various degrees for people that cannot earn their own living. National welfare depends on the interaction of these three institutions and its construction is the underlying basis for where to find CSR in a specific country. Figure 7 summarises the institutional differences found in the EU-15³. For obvious reasons, the member states that joined during 2004 are not included in this ten-year study.

³ EU-15 is a term to describe the member countries of the European Union up to 30 April 2004, before the enlargement took place with 10 new nations joining.

Strong labour markets Extensive public welfare systems Limited family responsibility		Weak labour markets Limited public welfare systems Extensive family responsibility
<i>Nordic</i> Sweden, Denmark, Finland	<i>Central</i> United Kingdom, Germany, France, Benelux, Ireland	<i>Southern</i> Greece, Italy, Spain, Portugal

Figure 7: Summary of welfare strategies and important factors in different geographical regions of the European Union (Noll et al 1, 2003, p.1).

Two opposite welfare strategies are observed between the Nordic and the Southern European countries. The Nordic countries have strong labour markets thanks to a relatively large amount of women and young adults in labour compared to the Southern countries. Noll et al. (1, 2003) argue that there exists a likely connection between strong labour markets and an extensive public welfare system. Where society doesn't provide resources of support for people outside the labour market, family steps in. In all aspects, central Europe is in a middle position applying a combination of the Nordic and the Southern welfare strategies.

Mapping welfare strategies is important to explain existing differences and why they have a strong traditional foothold in certain countries. That can provide a basis for the understanding of where CSR can be applied within different countries. Welfare strategies reflect values and conceptions of what is considered as important. All countries have their idea about values. Since no country values hold for all countries, some type of transitional criteria needs to be established in situations that involve international interactions (Cook & Hunsaker, 2001). However, there are some moral values that are so important that they should never be compromised on. Countries can effectively come together to protect such values. To offer a framework in which public bodies navigate to better align CSR practices, a classification of public sector roles are presented.

4.2.2 Public sector roles in the CSR field

Fox et al. (2002) has identified four public sector roles that reflect the overall governmental interventions on the CSR agenda. This paper's focuses on the facilitating role of government. There are often no clear lines between these four roles in practice and governments can function within several roles simultaneously, which motivates why we bring up all four roles in strengthening CSR. The four public sector roles are (ibid, 2002, p. 3):

- *Facilitating*: Providing incentives to get companies engaged in CSR issues.
- *Mandating*: Defining minimum standards for business performance within the legal framework and thereby raising the requirements of voluntary activities beyond compliance.

- *Partnering*: Encourage strategic partnerships by acting as participants, convenors or facilitators.
- *Endorsing*: Support and endorsement through actions of recognition.

These sector roles are further discussed below.

Facilitating

Governments have the opportunity to stimulate initiators already committed to CSR as well as taking on an approach to those who are yet to become involved (Fox et al., 2002). Guiding business through policy frameworks and positions, develop nonbinding guidance or codes of conduct, mandating transparency or disclosure, provide tax incentives, and facilitate stakeholder dialogue are some examples of the facilitating role of government (Ward, 2004).

The government has an important role in stimulating the exchange of good practices and building knowledge (Internet, Society and Business 1, 2004). Awareness rising can be done through publication of information. Government can establish codes of practice and specific programmes to promote good practice and encourage communities of interest to share information and advices (Internet, Society and Business 2, 2004). To celebrate business achievements is also important (Internet, Society and Business 1, 2004).

Some activities are suitable to promote CSR at a general level whereas others require deliberate targeting to a specific group within society. Research about how to best reach the target group is necessary prior to implementation. It is crucial to adapt the support measures with the characteristics of the target group in mind and to communicate via existing networks (DTI 1, 2002).

Mandating

The mandating role of government in the CSR field includes laws, regulations and penalties to establish minimum requirements of business performance (Ward, 2004). Legalisation sets the basis for what is considered to be CSR in a national context (Morsing & Thyssen, 2003). The government also has an opportunity to cooperate with public sector associations that relate to the control of some aspects of business operations (Ward, 2004).

Partnering

It is becoming increasingly common for governments to participate in strategic partnerships with the private sector. Such partnerships are called public-private partnerships (Rosenau, 2000). In recent years, voices have been raised for the public-private partnerships potential. Joining forces for sustainability is better and more cost-effective than just shifting burdens between public and private responsibility. The government can also encourage strategic partnerships between other actors or act as mediators to resolve difficulties of cooperation or create a stakeholder dialogue.

Endorsing

Government policies will be critical in helping the private sector to achieve the acceleration necessary to meet the urgent challenge of sustainable development (Cowe & Porritt, 2002).

Operational policies for government departments and agencies can be useful ways for the government to directly demonstrate the importance of sustainable development; another way is through their procurement policies. As a major player in the economy, government should ensure that government spending supports sustainable development. Many countries have developed a national strategy for sustainable development as a tool for handling CSR issues nationally, which communicates the public approach of achieving their objectives in this field (Internet, UN 1, 2004).

4.2.3 Incentives for governments to encourage CSR and social responsibility

The government acts as a response to public desires or to meet crises within society. Governments act in a reciprocal context and are affected by other stakeholders' actions. Social and environmental issues have always been important to address but the modern society has raised the concerns for businesses responsibility in these matters even more (Grayson & Hodges, 2001). The European Commission has pointed out several factors that are driving the political motives towards encouraging CSR among businesses (EC, 2001). These factors include new concerns and expectations from society considering globalisation and environmental damage caused by economic activity.

Much of the political efforts on CSR origin from the assumption that there are positive effects on national competitiveness to be achieved (cf. MacGillivray et al., 2003). It is common that governmental bodies want hard-core proof of a correlation between economic growth and social and environmental outcomes (Swift & Zadek, 2002). Swift & Zadek argue that positive social outcomes from businesses' good deeds do not add up to a macro effect. It is difficult to take all aspects into consideration when investigating a possible correlation. Nevertheless, MacGillivray et al. (2003) have identified a correlation between CSR and national economic competitiveness, excluding such factors as sector intensity and country's underlying stages of development. If such a correlation does exist, then creating public policy frameworks to promote CSR can realise the potential and enhance national competitiveness (ibid, 2003). The theoretical relation between public policy and societal outcomes are explained in Figure 8.

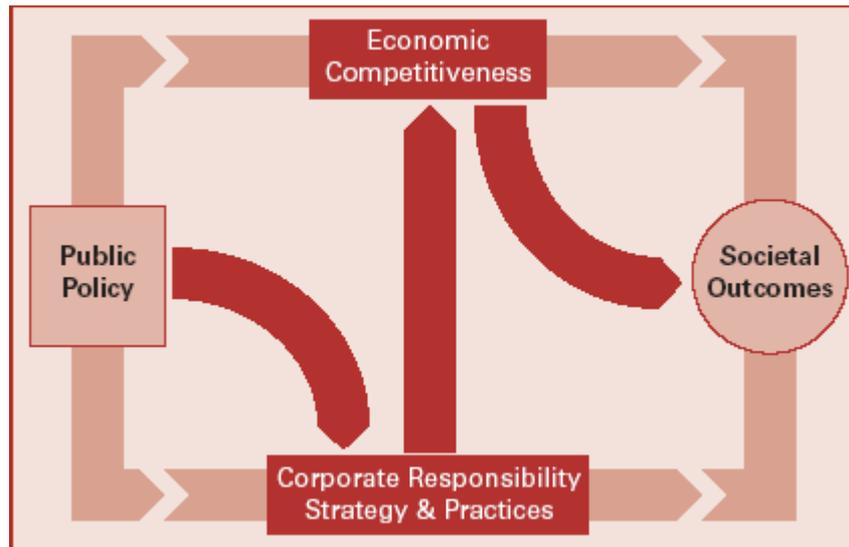


Figure 8: The relationship between public policy and societal outcomes (Swift & Zadek, 2002, p. 12).

The illustration above highlights the relationships between public policy, economic competitiveness, corporate responsibility strategies and practises and social outcomes. The term corporate responsibility is used as a synonym to CSR in Figure 8. The government creates public policies to promote CSR strategies and practices among business. The business work on CSR leads to economic competitiveness, which in turn has an effect on society. The connection between them sets out the dynamics that need to be explored to understand how governmental actions can have an impact on the society in the CSR field.

4.2.4 The importance of SMEs from a macro perspective

To include SMEs in the governmental efforts to promote responsible business behaviour has increasingly been encouraged, as mentioned earlier in this paper. The SME sector is the most important of a nation's economy (UNEP, 2002). This is due to the significant share of SMEs in the business sector. In the European Union they make up 99.8 % (Halvarsson & Larsson, 2004, p. 16) of all enterprises and the European Economic Area⁴ covers over 20 million SMEs (Grayson, 2003, p. 3). The SMEs offers a major contribution to employment and economic growth. This sector influences the stability of social and economic development and the competitiveness of national economics internationally (Internet, UNECE 1, 2004). With this in mind, SMEs can be seen as a key to achieve sustainability.

⁴ The European Economic Area (EEA) was maintained because of the wish of the remaining states outside the European Union to participate in the single market, while not assuming the full responsibilities of membership (Internet, EU 5, 2004). The agreement gives them the right to be consulted by the European Commission, but not the right to participate in the decision-making, which is kept exclusively for member states.

4.3 SME perspective on social responsibility

There is a great challenge for governments to reach the significant number of SMEs that are not already involved in these issues as well as continuously supporting those who are. To understand how governments promote SMEs in social responsibility, it is essential to get an introduction on what the characteristics of SMEs are and how they effectively can work with responsible entrepreneurship.

4.3.1 Small and medium-sized enterprises (SMEs)

The SME sector is very heterogeneous, which can be explained by the large number of enterprises that give rise to many different professions (Internet, EU 3, 2004). They operate in all kinds of sectors and they all have their particular needs of support (Internet, CSR Europe 2, 2004). However, they also have several similar characteristics.

SMEs are labour-intensive and capable of creating many new jobs at low costs (Internet, EU 3, 2004). They are a source of innovation with their flexibility and dynamic. Another thing that characterise SMEs are that they are economically vulnerable and therefore more sensitive to shifts in demand than larger firms (EC 1, 2002). SMEs often play a role as suppliers to larger companies and serve their needs, but they also contribute to the external competitiveness of these firms. SMEs tend to be most focused on internal issues (DTI 2, 2002). They concentrate on staffing issues; increasing employee skills; team building as well as on moral and motivation within the organisation. SMEs often lack time, information and money, which can be seen as main barriers to evaluate their activities (EC 1, 2002). Resource limitations are evident in SMEs and they often struggle to stay in business (Internet, CSR Europe 2, 2004). Fear of bureaucracy is another barrier.

Interestingly, a consortium research survey on behalf of the British Department of Trade and Industry (DTI) reveals that these barriers are to a large extent built on perceptions rather than reality among SMEs (DTI 2, 2002). People who are already aware of these issues and practice responsible entrepreneurship usually manage SMEs that engage in social responsibility. These findings are consistent with those of a study by the European Commission (EC, 2003), which identifies personal values rather than expected business benefits to be the main driver for e.g. social engagement.

SMEs social responsibility is an issue that implicates the whole supply chain (CSR Europe, 2002). Larger companies can demand their suppliers to work with CSR issues, which affect the SMEs that often act as suppliers. The support to strengthen the SMEs work within these issues can also come from the larger companies. But according to Grayson (pers. mess., 2004) most SMEs are very innovative businesses and it is therefore not surprising if they come up with creative solutions of these environmental and social problems.

Many SMEs are already involved in social responsible activities but are not aware of the importance of relating social responsibility to core business strategies. This is crucial for achieving good results in their work in these issues. The important elements of business strategies and some of the potential benefits that drive SMEs to engage in social responsibility are presented below.

4.3.2 Business strategies

A strategy can be defined as a plan of action by which the business mission and objectives can be achieved (Cook & Hunsaker, 2001). A business strategy is among other things suggesting the business' most important measures to reach competitive advantages and realising the business idea (Bruzelius & Skärvad, 2000). To achieve a favourable position within the competitive marketplace it is necessary to strengthen the relationship between the business' capabilities and its changing environment (Cook & Hunsaker, 2001).

According to Bruzelius & Skärvad (2000), a successful strategy is when the business activities are integrated into each other. If there is no fit among the business activities, there is no distinctive strategy. Even though many SMEs are already involved in some form of external commitment, it needs to be related to business needs or strategy (Grayson, 2003). Mainstreaming CSR is about ensuring that responsible behaviour becomes a central part of business and not just a peripheral matter (DTI 1, 2002). CSR needs to become part of the core decisions to really have an impact on the whole organisation.

The relationship between economic growth and social and environmental outcomes has been contested for a long time (Swift & Zadek, 2002). Porter (1996) argues that sustainability is an important ingredient in a business strategy. Many actors are convinced that adapting social responsibility can lead to a number of positive outcomes at company level (e.g. EC 1, 2002). Such arguments can effectively be used to convince SMEs who are not already involved. Some examples of such benefits are presented in Box 3.

- | |
|--|
| <ul style="list-style-type: none"> • Improved financial performance • Lower operating costs • Enhanced brand image and reputation • Increased sales and customer loyalty • Greater productivity and quality • More ability to attract and retain employees • Reduced regulatory oversight • Access to capital • Workforce diversity • Product safety and decreased liability |
|--|

Box 3: Examples of possible positive outcomes of CSR (Internet, BSDglobal 1, 2004).

Direct impact of CSR on business competitiveness is hard to define (Swift & Zadek, 2002). One firm can notice direct positive effects from working with CSR but it cannot be guaranteed that it will give the same results for another firm. Organisations can compare their performance over time and to outcomes achieved in other organisations by using quantitative measures (Cook & Hunsaker, 2001). This process is called benchmarking. However, organisations need to be careful not to slide from the core competencies that add value to its operations when imitating best practises of others.

Under pressure to improve productivity, quality, and speed, managers have embraced tools such as TQM⁵, benchmarking, and reengineering (Porter, 1996). Dramatic operational improvements have resulted from that, but rarely have these gains been translated into sustainable profitability. Gradually, the tools have taken the place of strategy. Tools and techniques are easy to imitate which is why Porter (1996) argues it is not sufficient. In contrast, the essence of strategy is choosing a unique position rooted in activities that are much more difficult to match. However, tools or instruments are an excellent way to introduce a company into social responsibility.

4.3.3 CSR instruments

To realise strategies that involves CSR there are a number of voluntary instruments available for businesses. These tools of performances could be a strategic choice for the businesses as it helps them to communicate their actions in the environmental, social and sustainability sectors. Widely used CSR instruments include management systems; codes of conducts; labels; ethical indexes; and key performance indicators (Italian Presidency on Corporate Social Responsibility, 2003).

Two tools within the CSR area that have received a lot of attention are ISO certification and sustainable reporting. ISO⁶ has developed procedures for environmental management within ISO 14000 and is currently exploring how ISO could contribute to wider CSR management systems (Internet, GRI 2, 2004). Communicating sustainable performance in a sustainability report according to the guidelines from the Global Reporting Initiative (GRI)⁷ guidelines can enhance credibility.

Tools such as ISO certification and GRI guidelines can theoretically develop to become a standard if many companies work with them. Before something turns into a standard it is only applied by the most motivated businesses that value these issues to the cost it brought. The functions of the standards are, according to Brunsson and Jakobsson (2002), an effective business instrument for information transference if the business is reaching the standard. A standard could put pressure on the business but it also represents coordination and simplification. On the other hand, it can weaken the room for innovation.

⁵ Total Quality Management (TQM) is a system of continuous improvement employing participative management and centered on the needs of customers (Jurov & Barnard, 1993).

⁶ International Organization for Standardization (ISO) is the world's largest developer of standards as a network of the national standards institutes of 148 countries (Internet, ISO 1, 2004).

⁷ Global Reporting Initiative (GRI) is an independent institution that provides globally applicable sustainability reporting guidelines for voluntary use by organisations (Internet, GRI 1, 2004).

5 International approaches to CSR

This empirical chapter aims to present an overview of the work on CSR on the international arena. It describes multilateral initiatives to promote CSR from international organisations such as the United Nations and regional international organisations such as the European Union. These activities are an important part of the environment that the two countries chosen for this paper's case studies operate within.

5.1 Transnational CSR actors and multilateral initiatives

CSR has all characteristics of Meyer's (1996) definition of an attractive idea, which can contribute to the understanding of why it has gained widespread attention all over the globe. It appears that the CSR field involves a complex stakeholder situation (Morsing & Thyssen, 2003). Many different definitions of CSR and what the concept should include are circulating on the international arena due to the large number of actors that want to participate in forming a framework for CSR. There are many international forces that aim to harmonize the approaches to CSR. A range of various guidelines, codes of conduct and initiatives that aim to promote, frame and regulate businesses ethical practices can be observed. Many governments are turning to internationally recognised organisations for a source of reliable guidance. To some extent, the governments can choose what impact the international initiatives will have on their national approach to CSR.

The development of CSR is dependent on international conventions and agreements in order to get countries to work in the same direction towards common goals. Responsible behaviour among businesses is in many respects a global issue that is an absolute condition for sustainable international development (EC, 2001). A widely-held conception is that transnational initiatives from e.g. United Nations and OECD have had a great influence in countries all over the world. Such global approaches are based on moral values and tend to focus on a minimum level of decency in business behaviour. Multilateral initiatives shape the ongoing debate about CSR and the idea of what it really is about. The initiatives serve as a starting point for the national approaches to sustainable development in Sweden and the United Kingdom, which brings action to encourage CSR on all organisational levels.

There are several initiatives that can play a significant role in bringing a sense of cohesion to the emerging CSR management landscape (Internet, GRI 3, 2004). They focus on various aspects on the multidimensional concept and satisfy different calls for guidance within the CSR field. What focus the great IGOs and NGOs have and how they interact with each other will be further explained below.

5.1.1 Intergovernmental organisations (IGOs)

The most well known IGO is the United Nations, which plays a central role in promoting social development, as well as international peace and security (Internet, UN 2, 2004). It is an immense organisation with many representatives. Over the years, it has sponsored many

multilateral agreements, which deal with a broad range of common concerns among states and are legally binding for the countries that approve them. The United Nations is striving to achieve an acceptable minimum level on a global scale. It focuses on social and environmental problems requiring coordinated action.

During the United Nations' *Conference on Environment and Development* held in Rio de Janeiro in 1992, governments agreed on a plan of action for sustainability in the 21st century called *Agenda 21* (Internet, UN 3, 2004). It was adopted by 178 governments and has become successful in influencing actors at all levels of society. Through the adoption the United Nations called for all countries to produce their own national strategy for sustainable development (Internet, UN 1, 2004). The organisations of the United Nations system agreed to this wide-ranging plan of action to be taken globally, nationally and locally (Internet, UN 3, 2004). It stated that the national strategies "should build upon and harmonize the various sectoral economic, social and environmental policies and plans that are operating in the country" (Internet, UN 1, 2004). A target date of 2002 was set for the formulation and elaboration of national strategies for all governments that agreed on *Agenda 21*. The *World Summit for Sustainable Development* held in Johannesburg in August 2002 further encouraged the member states to "take immediate steps to make progress in the formulation and elaboration of national strategies for sustainable development and begin their implementation by 2005" (ibid, 2004).

A further step towards businesses contribution to sustainability was taken by the United Nations in 1999 with the launching of the *Global Compact* (Internet, UN 4, 2004). In contrast of *Agenda 21* it is purely voluntary and goes out to all kinds of organisations. The initiative aims to mainstream nine principles in the areas of human rights, labour and the environment in business activities around the world. The *Global Compact* functions as a network where the United Nations is involved with relevant social actors like governments; companies; labour; and civil society organisations. Hundreds of companies and other organisations are engaged in the *Global Compact*, all convinced that sustainability best can be achieved by collaboration. In this way, the private sector in partnership with other social actors can contribute to a more sustainable global economy. The initiative clearly reflects CSR practices through the significant amount of companies deliberately working towards sustainability.

Within the United Nations family of organisations, the specialised agency International Labour Organization (ILO) seeks the promotion of social justice and internationally recognised human and labour rights (Internet, ILO 1, 2004). The ILO has launched a *Declaration on Fundamental Principles and Rights at Work*, which has attracted a lot of attention (Internet, ILO 2, 2004). The declaration commits the United Nations member states to promote good working conditions, whether or not they have ratified the relevant conventions. The declaration covers issues concerning freedom of association; the right to collective bargaining; the elimination of forced or compulsory labour; child labour and discrimination.

The Organisation for Economic Co-operation and Development (OECD) is another widely recognised IGO that works to help governments understand and respond to new challenges within economic and social policies (Internet, OECD 1, 2004). It creates a unique forum to discuss, develop and refine economic and social policies with its 30 like-minded

member countries. They compare experiences, seek answers to common problems and work to coordinate domestic and international policies to help members and non-members deal with an increasingly globalised world. In the CSR area, the OECD has received much attention through their launching of a set of guidelines for multinational enterprises (MNEs). The *OECD Guidelines for Multinational Enterprises* are recommendations addressed by governments to MNEs on how to act in a responsible manner consistent with applicable laws (Internet, OECD 2, 2004). These guidelines are not legally binding but they aim to ensure that these enterprises operate in line with government policies; to improve the confidence between enterprises and society; to improve the international investment climate and to get MNEs to contribute to sustainable development. The governments of 29 member countries and four non-member countries have adapted the guidelines. This initiative has some advantages over multilateral conventions. The guidelines set a high standard for the member countries and were negotiated relatively quickly. In addition they include procedures for implementation, follow-up and monitoring.

The *Global Compact*, ILO's declaration and OECD's guidelines all strive to create consensus between them (Internet, ILO 2, 2004; Internet, UN 4, 2004). They derive ideas from each other's documents and emphasises the rights found in them. The initiatives are all revised or checked on a regular basis to ensure that they are highly topical. It is not uncommon that IGOs ask NGOs to help them in developing their initiatives to promote CSR on a global scale.

5.1.2 Non-governmental organisations (NGOs)

Over the past several decades, NGOs participate vitally in the international system (Internet, Global Policy Forum 1, 2004). They help organisations to reach their goals through their contribution with valuable information and ideas. The OECD invited NGOs to participate in the process of revising the guidelines for MNEs so it would better reflect the concerns of citizens who are especially interested in their work (Internet, OECD 2, 2004). The United Nations collaborates with several influential NGOs e.g. Amnesty International; Greenpeace; and the International Committee of the Red Cross (Internet, ASIL 1, 2004).

The World Business Council for Sustainable Development (WBCSD) is an influential NGO that collaborate with a number of IGOs, such as the United Nations, the OECD and the World Bank (Internet, WBCSD 1, 2004). It is a coalition of 170 international companies (Internet, WBCSD 1, 2004) partnering many other organisations to achieve their goal of making sustainable development happen. WBCSD has programmes focussing on CSR, and publishes a wide range of publications (Internet, WBCSD 2, 2004).

Another example on an influential NGO is International Organization for Standardization (ISO). ISO develops international standards, which are very useful for the governments but also for other business organisations and consumers. They provide governments with a technical base for health, safety and environmental legislation. ISO is able to act as a bridging organisation between the public and private sectors, hence it is a NGO that works for the broader needs of society, with many members with roots in the

private sector but also delegations of national governments. ISO standards also have important economic and social repercussions (Internet, ISO 2, 2004).

Both IGOs and NGOs have a great influence on business and governments all around the world. Next, the focus is narrowed and concentrated on the creation of a European framework for CSR, which has a great impact on the two countries chosen for this comparative study, Sweden and the United Kingdom.

5.2 Creating a European framework for CSR

Within the European Union, there are attempts to create a European framework for CSR, despite the variety in national differences throughout the continent. The European Commission is in the frontline of the creation of such. The European debate on CSR is characterized by what can be done beyond the generally highly developed social and environmental regulation that exists in Europe on one hand and our responsibility towards developing countries on the other hand. Through trade, the European countries within OECD can have a significant impact on social and environmental qualities in the rest of the world (Internet, OECD 1, 2004). European firms' responsibility towards developing countries concerns issues such as investing their money in a social responsible manner or checking on the working conditions for employees in factories abroad. Within the nation states of Europe the work on CSR is different according to each country's characteristics and traditions (Italian Presidency on Corporate Social Responsibility, 2003). However, there are some common reflections that can be observed.

In recent years, the role of many European governments has shifted from the traditionally command-and-control approach to a more supporting role (Gribben et al., 2000). Their responsibility has not shrunk, only got another political alignment, which can be explained by the increasing power transfer from nation states to the European Union. Business does not want government to take on a defensive approach to promote CSR. On the contrary, companies want the government to provide an enabling and supportive framework for them to act in a responsible manner (ibid, 2000). There is a huge diversity of policies and approaches among European governments in their support for public-private partnerships. Such factors as the role of the government in welfare provision, the willingness of business to get involved and the expectations of society all vary across different countries. These issues are important in determining the approach that different governments will have towards developing partnerships with the private sector (ibid, 2000).

Socially responsible manners have existed in Europe for a long time without any attempts to manage it strategically and to develop instruments for it (EC 2, 2002). The European CSR actors all satisfy different needs in providing information and tools for CSR. Many European countries have dealt with social and environmental issues completely separately, not in relation to each other (EC 1, 2002). The promotion of CSR public initiatives related to environmental issues has been widespread throughout Europe whereas the social issues have not yet been dealt with so much.

European CSR actors are agreeing to the usefulness of an open debate about the creation of a European framework for CSR (EC 2, 2002). Almost all parties support community action in this field. However, there are some differences in opinions about what CSR should focus on which was brought up in chapter 4. It covered the enterprises' emphasis on the voluntary nature of CSR; civil society organisations' call for regulation; investors' need for transparency; and consumers' focus on product information. Other European actors such as the European Council also encourage e.g. national strategies for sustainable development in line with the recommendations from the United Nations (Regeringskansliet, 2002).

It is crucial for international and regional organisations to work through organisations at a local level to reach SMEs. CSR Europe is a non-profit business organisation that is doing this successfully through a network of national partner organisations. These partner organisations are independent organisations that have a mission to promote CSR at a national level and reflect the rich diversity of practices and experiences in different countries (Internet, CSR Europe 3, 2004). It constitutes an international business response to the European business and political agenda on CSR.

Nevertheless, the most influential European organisation is the European Union. It affects nearly all political standpoints within its member states and has interpreted the Brundtland report as for it to have a key role in pursuing sustainable development in Europe and at global range (Internet, EU 4, 2004). The European Union can be seen as a regional international network with the purpose to inform about CSR in Europe (UNEP, 2002). Within the European Union the European Commission plays a central role in the daily work (Internet, EU 6, 2004). The Enterprise Directorate-General works under the European Commission and is responsible for measures to enhance the competitiveness among enterprises, facilitating access to markets and promote innovation to achieve sustainable growth (Internet, EU 7, 2004).

The European Commission recognises that the proliferation of different CSR instruments, such as ISO or GRI, is confusing and that they are somewhat difficult to compare (EC 2, 2002). Such difficulties could be a source of market distortion. It points out the community to take on itself to facilitate convergence in the instruments used. All those concerned about shared objectives can enhance the effectiveness of CSR practices and public policy can play a significant role in the development of an action framework to promote transparency and credibility for CSR practices.

Sustainable development is one of European Commission's key issues and it is responsible for several initiatives within the CSR field (Internet, EU 8, 2004). Some of these initiatives and the background for them will be presented in the next section. The governments of the EU-15 are currently beginning to define and implement activities in line with the European Commission CSR initiatives in order to promote CSR practises (Italian Presidency on Corporate Social Responsibility, 2003).

5.2.1 The European Union strategy on CSR

In recent years there has been a debate on how the European Union best can promote CSR at both the European and international level (cf. EC, 2001). The different traditions in Europe obstruct natural cooperation between the member states of the union. This makes the task to take on the CSR issue even more complex for the European Union. They need to find supportive ways that suit all nations and businesses. The European Commission has to use existing overall strategies for the European Union and influential multilateral initiatives as their starting point for taking on the CSR issue and developed specific strategies on CSR from that (EC 2, 2002). The European Commission stresses that a European approach to CSR must reflect and be integrated in the broader context of various international initiatives, such as the United Nations *Global Compact*; the *OECD Guidelines for Multinational Enterprises*; and the *ILO Declaration on Fundamental Principles and Rights at Work* (EC, 2001). The European Commission has been keen on consultation and approval from the surrounding world throughout the process of formulating their strategy on CSR.

The *Lisbon strategy* is one of the key issues for the European Commission (Internet, EU 8, 2004) and was set up on a European Union top summit in March 2000. It states that the European Union will strive “to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion” (Internet, EU 9, 2004). The *Lisbon strategy* is a basis for promoting CSR through its emphasis on competitiveness and sustainability. An extension to the strategic goal decided in Lisbon, *A European Union Strategy for Sustainable Development*⁸, was adopted at the Gothenburg Summit in June 2001 (Internet, EU 4, 2004). This strategy highlights the environmental pillar of sustainability as equally important to the social and economic pillars and further entails a process where a wide variety of actors bear a shared responsibility.

The European Commission seeks consultation of their approach to CSR and the most evident action for this was the publishing of the *Green Paper* on CSR in 2001. It is a paper on promoting a European framework for CSR that aimed to launch a wide debate on the European Union’s role in promoting CSR. Questions posed by the *Green Paper* included the role for the European Union; companies and CSR; main actors and stakeholders; evaluation and effectiveness; and actions to support CSR (Internet, BDSglobal 1, 2004). The *Green Paper* on CSR has played an important role for the European approach in this field and there have been a lot of responses to the consultation on the *Green Paper*. Several nations officially announced their response on the *Green Paper*, including Sweden and the United Kingdom (Internet, EU 10, 2004). After the end of a consultation period the European Commission issued a *Communication on Corporate Social Responsibility* in 2002 (Internet, BDSglobal 1, 2004). The document was a follow-up to the responses on the *Green Paper* and set out the European Commission's vision of an appropriate framework for promoting CSR and presented a European Union strategy to promote CSR (EC 2, 2002).

⁸ Guidance to further reading: *Communication from the Commission, A Sustainable Europe for a Better World: A European Union Strategy for Sustainable Development, COM (2001) 264 final.*

To be found at: http://europa.eu.int/eur-lex/en/com/cnc/2001/com2001_0264en01.pdf

In the *Communication on Corporate Social Responsibility* (EC 2, 2002) the European Commission proposes to build its strategy to promote CSR on a number of principles. It emphasises the recognition of the voluntary nature of CSR; the need for credibility and transparency of CSR practices; focus on activities where community involvement adds value; a balanced and all-encompassing approach to CSR; attention to the needs and characteristics of SMEs; and support and compatibility with existing international agreements and instruments.

The European Commission proposes to focus its strategy on the areas quoted below (EC 2, 2002, p. 8):

- Increasing knowledge about the positive impact of CSR on business and societies in Europe and abroad, in particular in developing countries
- Developing the exchange of experience and good practice on CSR between enterprises
- Promoting the development of CSR management skills
- Fostering CSR among SMEs
- Facilitating convergence and transparency of CSR practices and tools
- Launching a *Multi-Stakeholder Forum on CSR*
- Integrating CSR into Community policies

Several actions have been taken to realise these strategic areas since 2002. The Multi-Stakeholder Forum on CSR is a reality today and it is currently working on a report to be drafted by mid-2004, containing the results of its work so far (Internet, EU 11, 2004). The focus of our study, however, is the attempts to foster social responsibility among SMEs, and the attempts to create a European framework towards this will be elaborated below.

5.2.2 European initiatives to reach SMEs

Most public activities aim at popularising the CSR concept in general, not paying any specific attention to enterprise sizes (Ikei, 2001). However, recent years the European Union have made the issue of social responsibility among SMEs a priority (EC 2, 2002), taking own actions to promote social responsibility as well as supporting other European actors projects. It has recognised SMEs special needs and is active in creating an entrepreneurial Europe⁹. The European Commission is keen to get SMEs engaged, as it is likely to be a positive contribution to the *Lisbon strategy* (EC, 2001). Almost every policy and program that it is launching has a SME dimension (Internet, EU 11, 2004). The European Commission primarily tries to engage this sector through sharing and promoting of good practice rather than through compulsory measures e.g. legislation (pers. mess., Wilshaw, 2004). SMEs are

⁹ Guidance to further reading: *Commission Staff Working Paper, Creating an entrepreneurial Europe - The activities of the European Union for small and medium-sized enterprises (SMEs)*, SEC (2003) 58.

To be found at:

http://europa.eu.int/comm/enterprise/entrepreneurship/promoting_entrepreneurship/doc/2003sec58_en.pdf

also one of four priority issues for the Multi-Stakeholder Forum on CSR (Internet, EU 12, 2004).

The European Union is supporting an extensive *CSR Campaign* arranged by CSR Europe (Internet, CSR Campaign 1, 2004). The goal of the campaign is to reach and mobilize 500 000 European SMEs to integrate social responsibility into their core business by 2005. Each national partner organisation of CSR Europe that is participating in the campaign has its own section that they are responsible for (pers. mess., Goldman, 2004). Important aims of the campaign are to bring like-minded entrepreneurs together; deepen the awareness and implementation of CSR through training, management tools and sharing knowledge; and to widen a debate on the subject (Internet, CSR Campaign 1, 2004). Within the *CSR Campaign* there are specific initiatives related to SMEs work on social responsibility (Internet, CSR Campaign 2, 2004). These initiatives cover a platform to deepen research; a guide to social responsible investment; and assistance to develop and implement responsible activities.

Ending in 2003, the Enterprise Directorate-General carried out a SME project concerning social responsibility called *Responsible Entrepreneurship* (Internet, EU 13, 2004). Together with a group of national experts it presented a collection of good practice cases from 16 European countries. The project aimed to inspire other SMEs and serve as a tool for awareness rising through the recognition and greater visibility to SMEs contribution to society of the publication. Its result will also serve as a contribution to the *Multi-Stakeholder Forum on CSR* work on SME issues.

Guidance to further reading

This chapter has among other things pointed out a number of influential CSR actors on the international arena. Other leading transnational CSR organisations include Business for Social Responsibility; Coalition for Environmentally Responsible Economies; Corporate Citizenship Company; Forum for the Future; Institute for Global Ethics; Institute of Social and Ethical AccountAbility; International Business Leaders Forum; International Institute for Sustainable Development; Social Accountability International; SustainAbility; The Copenhagen Centre; World Economic Forum (Internet, IBLF 1, 2004).

6 Sweden

In this chapter, the first case of this comparative study will be covered - Sweden. A brief introduction to the political context can explain Sweden's governmental approach to CSR, which in turn affects national initiatives to facilitate social responsibility in SMEs.

6.1 Swedish political context

The modern Swedish welfare state is highly affected by the values of the Social Democratic Party (Socialdemokraterna, 2003) that has been dominating the government with few interruptions since the 1920s (Internet, The Swedish Institute 1, 2004). Through its popularity and long experience in the government it has a major influence on public policy (Internet, The Swedish Institute 2, 2004). The party advocates the idea of redistributing national resources through a combination of public sector control and a market economy. An important objective for the Swedish Social Democratic Party is the creation and maintenance of an extensive social welfare system. The public sector has assumed responsibility for many services within social welfare (Internet, The Swedish Institute 3, 2001). To discharge its responsibilities, Swedish taxes are high and the tax system includes many direct and indirect taxes. Sweden's tax revenues amounted to 54.2 % share of GDP¹⁰ in 2000 (SKV, 2003, p. 301), which can be compared to the average in the European Union at 41.6 %. In fact, Sweden is the only OECD country with tax revenue of GDP over 50 %.

Health care, education, social service, and combating unemployment issues are key areas for Swedish welfare politics and are included in the policy of the Social Democratic Party as well as other parties (Internet, The Swedish Institute 2, 2004). Equal access to health services for everyone is fundamental in the Swedish health care system (Internet, The Swedish Institute 3, 2004). The provision and financing of health services for the entire population is a public sector responsibility. In recent years, other parties have argued for privatising health, educational and social services and introducing private profit making into these sectors (Socialdemokraterna, 2003). However, the ruling Social Democratic Party is rejecting these arguments.

Sweden's social contribution costs consist of employers' contributions and the employees' contributions that cover pensions, health benefits and other social insurance. (Internet, The Swedish Institute 3, 2004). Employers must pay an employment payroll tax by law. It consists of pension, health insurance and other social benefits (ISA, 2003).

Sweden has a history of strong political involvement by trade unions origin from the end of the 19th century (Internet, The Swedish Institute 2, 2004). There is a general acceptance of the trade unions' role in the Swedish society (pers. mess., Ågren, 2004). The Social Democratic Party has had an intense cooperation with the trade unions for a long time (Socialdemokraterna, 2003). The party allows trade unions to have a significant influence on

¹⁰ Gross Domestic Product (GDP) is defined as the value of final goods and services produced by domestic factors of production (Husted & Melvin, 2001, p.3).

its politics and expects large election contributions in return. This cooperation has guaranteed wage earners a voice in Swedish politics.

Figure 7 (p. 16) classifies Sweden as applying a Nordic European welfare strategy (Noll et al. 1, 2003). The public welfare system is emphasized on public responsibility in social issues. The labour market is strong and the amount of women in the labour force is at peak levels in a comparison between the EU-15 (Halvarsson & Larsson, 2004). This is explained by the infrastructure that allows women to combine motherhood with a career based on vacant jobs for women, public childcare and parental allowance (Noll et al. 2, 2003). The variety of incomes is low in Sweden as in other Nordic countries. In Sweden, poverty is approximately 5 %, which is the lowest figure in EU-15 (ibid, 2004). The poverty effect on vulnerable groups in society is not as apparent as in other parts of Europe.

In Sweden, SMEs total 99.7 % of all enterprises, which is close to the average structure within the European Union at 99.8 % (Halvarsson & Larsson, 2004, p. 16). Over the last two decades, focus of industrial policy in Sweden has shifted from large enterprises and individual sectors towards small enterprises and entrepreneurship (ibid, 2004). The main reason for this is that SMEs have become increasingly important for the contribution to employment and growth in the country due to the effects of globalisation and rationalisation of operations that larger companies has to deal with.

In view of the many objectives of the *Lisbon strategy*, Sweden has achieved good results so far and is among the three top member states in a comparison published by the European Commission (EC, 2004). Its' achievements and shortcomings are presented in Appendix 2. In addition, several international comparisons set out Sweden as a leading nation within sustainable development. In a "barometer of sustainability"¹¹ from 2001, where a human and an ecosystem wellbeing index intersect, Sweden is ranked as number one in the world (Prescott-Allen, 2001). The successful work on sustainability ties in with its efforts of promoting CSR.

6.2 Promoting CSR

Sustainable development is a comprehensive objective for the politics within the Swedish government (Regeringskansliet, 2004). All political decisions are permeated with the government's endorsing role and required to take consideration of the economic, social and environmental consequences in a long-term perspective. The government's mandating role is the basis for the classification of voluntary ethical business practices. The business contribution to sustainable development is recognised as important. However, a consistent use of the concept CSR across the Swedish government is not apparent. Instead, the work on this area is carried out under several different names, in English and in Swedish, which can be confusing (pers. mess., Henningsson, 2004). An observation made during the research process is that the governmental departments have not come together to explicitly strategically address CSR to be a particularly prioritised area within sustainable development.

¹¹ The complete ranking by the barometer of sustainability are to be found at: http://www.iucn.org/info_and_news/press/wonrank.doc

Promoting CSR in Sweden is therefore often an implicit part of the overall support of sustainable development.

Many areas covered by the CSR definition are tasks of the Ministry of Industry, Employment and Communications, which aims to create a satisfactory and lasting economic growth that is compatible with ecological, social and cultural development (Internet, ND 1, 2004). However, it has not strategically pointed out CSR as one of its key areas. Instead, the Swedish government has chosen to primarily address CSR in a global perspective focusing on a lowest level of human decency in business such as the ILO core labour standards (pers. mess., Kanter, 2004). Therefore, many people associate Swedish work on CSR with the Ministry for Foreign Affairs and the initiative *Swedish Partnership for Global Responsibility*, which is described later on in this chapter.

To coordinate the government's work towards sustainable development a Coordination Unit for Sustainable Development was introduced in December 2003 (pers. mess., Ågren, 2004). Their aim is to raise awareness and to be an instigator in developing the strategic work on environmental and social issues nationally and internationally. It also intends to inform stakeholders about the Swedish government's view of how the economy, the environment and social issues are related to each other. It can therefore be interpreted as an expression for the Swedish government's facilitating and endorsing role.

6.2.1 Swedish national strategy for sustainable development

As a member of the United Nations, Sweden published a national strategy for sustainable development to the United Nations top summit in Johannesburg 2002 (Regeringskansliet, 2002). When published in March 2002, it was the first Swedish national strategy to cover the social, economic and environmental field. It was based upon decisions already agreed on at that point of time (pers. mess., Henningsson, 2004). The aim with the national strategy, in this early stage, was to check upon the on-going work on promoting sustainability in the country rather than being a new operational strategy aimed to do more. An updated version of the strategy was published in April 2004 (Regeringskansliet, 2004). The points of departure for the strategy are global and regional cooperation as a requirement for achieving sustainability in Sweden; integration of sustainable development into all political areas; and further national efforts to protect the critical resources that make up the basis for sustainable development (Regeringskansliet, 2004). The strategy states means of control, tools and processes needed for the adjustment to sustainability. It includes Sweden's efforts on all levels, internationally as well as locally.

The national strategy from 2002 identifies eight core areas for the government to prioritise in the work for sustainable development (Box 4).

- The future environment
- Limitation of climate change
- Population and public health
- Social cohesion, welfare and security
- Employment and learning in a knowledge society
- Economic growth and competitiveness
- Regional development and cohesion
- Community development

Box 4: The eight core areas in Swedish national strategy for sustainable development (Regeringskansliet, 2002, p.19).

The areas are further encouraged in the updated version and it emphasizes the importance of integration between sustainability aspects (Regeringskansliet, 2004). The implementation of the strategy is a continuous process, which requires it to be modified on a regular basis (Bengtsson, 2004). According to Sweden's Minister for the Environment, Lena Sommestad, the strategy reflects the social democracy fundamental values (Internet, Regeringen 1, 2004).

6.2.2 International engagement in sustainable development and CSR

Sweden is keen to use the international forum to promote sustainable development and has since many years been a driving force especially in the field of the environment (Internet, Regeringen 1; pers. mess., Ågren 2004). Sweden supports several multilateral initiatives in the CSR area such as the *Global Compact*, the *OECD Guidelines for Multinational Enterprises* and the *ILO Declaration on Fundamental Principles and Rights at Work* (Regeringskansliet, 2003). Despite the fact that it is a small country, Sweden is often an instigator for the international work towards sustainability (pers. mess., Ågren, 2004). Several decisions made on the *World Summit on Sustainable Development 2002* in Johannesburg were originally proposed from Sweden.

The development of international legal instruments to achieve sustainability is emphasised by Sweden (UN 1, 2002). It assumes that concrete obligations with implementation mechanisms and follow-up measures should be included in such instruments. Sweden has ratified a number of international conventions and agreements related to sustainable development.

Through their membership in the European Union, Sweden has an opportunity to affect the creation of the European approach, which in turn addresses these issues internationally. Sweden officially announced its response to the European Commission *Green Paper* on CSR in December 2001 (Regeringskansliet, 2001). It agreed to the importance of linking the issues to the existing goals within the European Union, such as the *Lisbon strategy*, and the *OECD Guidelines for Multinational Enterprises*. It stressed the importance of communicating that environmental issues are included in the CSR concept. In the social dimension, Sweden

underscores gender equality and integration as well as the development of the skills of the labour force to contribute to a high level of employment. The role for the European Commission is considered to be checking on the compliance and follow-up of voluntary and supplementary rules. The dialogue between social partners is recognized as valuable and that SMEs need specific attention in facilitating social responsibility.

6.3 Facilitating social responsibility

The work on promoting social responsibility is considered to require participation from a range of various actors in society (Regeringskansliet, 2002). Organisations that are active in the support of CSR are the Swedish Business Development Agency (Nutek); the Swedish Consumer Agency (SCA); and the Swedish International Development Cooperation Agency (Sida) (Internet, EU 14, 2004). Nutek carries out several support measures in this area in their role of Sweden's central public authority for enterprise and regional development. Nutek is financed by the Ministry of Industry, Employment and Communications (Halvarsson & Larsson, 2004) and depend upon it in what projects it should invest in. Even so, the perhaps most well known Swedish initiative to promote CSR to companies of all sizes is hosted by the Ministry of Foreign Affairs. It is the *Swedish Partnership for Global Responsibility*.

The Swedish Prime Minister Göran Persson introduced the initiative *Swedish Partnership for Global Responsibility* in March 2002 (Internet, EU 14, 2004). The aim is to practise the public facilitating and endorsing role by encouraging Swedish companies to be ambassadors for human rights, anti-corruption and a decent and sound environment, all over the world. This is adherent to the *OECD Guidelines for Multinational Enterprises* and the principles of the *Global Compact* (Internet, Regeringen 2, 2004). The partnership strives to promote CSR through a constructive cooperation between the business sector; labour organisations; NGOs and the government. In addition to the objective of upholding sustainable development, the initiative aims at strengthen the competitiveness of Swedish companies and increasing knowledge of the multilateral regulatory framework (Internet, Regeringen 2, 2004). The services provided are available for companies of all sizes but is mainly used by large enterprises (pers. mess., Berheim, 2004).

Nutek is Sweden's central public authority for enterprise and regional development with the objective to strengthen the conditions of Swedish industry and promote sustainable growth throughout the country (Internet, Nutek 1, 2004). It offers financing, information, advice and support for programmes and processes to promote stronger regions, more new enterprises and more expanding enterprises. SMEs are highly prioritised by Nutek due to their economic key role. It also facilitates internationalisation, following the international development and promoting Swedish contribution to international collaboration. Nutek is thereby cooperating with different intermediaries, national and regional organisations and authorities. Nutek has run several programmes associated with social responsibility (pers. mess., Henningson, 2004). It has a central role in providing support towards Swedish SMEs.

Nutek implements a management system for environment, equality and integration to ensure that these issues permeate all of its' activities (pers. mess., Henningson, 2004). Since

1996, Nutek has systematically supported increased environmental responsibility in SMEs. As a part of government's facilitating role, it is currently running a program called *Environment-driven Business Development*. It aims at strengthening SMEs competitiveness by stimulating operating and product development from a sustainable perspective and integrating environmental issues into their business strategy. This four-year programme includes 34 pilot projects, which are conducted in networks of 350 SMEs (ibid, 2004). Nutek is financing 30 % of the total project cost. The results will form the basis of a Swedish consolation of inspiring case studies. The programme has an environmental focus but there are a handful projects that applies a holistic approach to social responsibility. One of these projects is the *Triple Logic* project, which can serve as an example of what the *Environment-driven Business Development* programme is about. The *Triple Logic* support SMEs in developing innovative products, services and business practices in a sustainable manner (Internet, Triple Logic 1, 2004). The project functions as a support center where SMEs can solve problems or explore ideas concerning sustainable business development. The project aims at developing a prototype for a sustainable business incubator in the Stockholm area. Another interesting initiative that ties in with social responsibility is a Nutek programme for promoting women's entrepreneurship (Halvarsson & Larsson, 2004).

ALMI is an organisation that partners Nutek, which has started to work on a basis of the TBL model (pers. mess., Gaverstedt, 2004). It has a mission to stimulate growth and development for SMEs and innovators throughout the country and offers market oriented business development consultation and financing (Internet, ALMI 1, 2004). It is co-owned by the government (51%) and county councils throughout Sweden (49%), making it possible to operate regionally through local offices (ibid, 2004). ALMI is currently running a project toward sustainability called *The Social Venture*, to integrate ethical, environmental and economic criteria into its decision-making (pers. mess., Gaverstedt, 2004). The project aims to strengthen ALMI's position and profile by working with sustainable development. It ensures that government spending supports sustainability, thereby practising its' endorsing public role. *The Social Venture* will be implemented during 2004. On the basis of the three pillars of sustainable development it will function as an incentive and guidance to their customers' way towards sustainability. ALMI has traditionally mainly been working with the financial and environmental part, which is why this project put focus on defining the social and ethical perspective. ALMI has also been active in creating forum for entrepreneurs to share their experiences and ideas of social responsibility.

The Swedish NGO Jobs and Society receives governmental support through Nutek. Jobs and Society is the Swedish national partner organisation to CSR Europe and as such it has a mission to promote CSR at national level and to support entrepreneurship and new vital enterprises (Internet, CSR Europe 3, 2004). One of its responsibilities was the Swedish involvement in the *CSR Campaign* in engaging SMEs in social responsibility. As a follow-up to the campaign, Jobs and Society has created CSR Sweden to actively continue the CSR efforts (pers. mess., Goldman, 2004). Jobs and Society is planning to expand the existing network with Swedish companies and arrange for activities to gather them and encourage further engagement.

Guidance to further reading

This chapter has among other things pointed out a number of influential CSR actors and their support measures for CSR in SMEs in Sweden. There are several other Swedish organisations that work with CSR issues in different ways that have not been covered in this section. Examples of such are The Swedish Industry Association; The Confederation of Swedish Enterprise; The Federation of Private Enterprises; The Association of Swedish Chambers of Commerce and Industry; Social Venture Network Sweden.

7 United Kingdom

In this chapter, the second case of this comparative study will be covered – the United Kingdom. A brief introduction to the political context can explain the UK governmental approach to CSR, which in turn affects national initiatives to facilitate social responsibility in SMEs.

7.1 British political context

For the last 150 years, the United Kingdom has had a predominantly two-party system where either the Conservative Party or the Labour Party has held power (Andersen et al., 2001). A political era of conservative rule in the United Kingdom stretched from 1979-1997. The Conservative government carried out a privatisation programme in the 1980s that shifted a significant amount of responsibility from the public to the private sector. Until then, social objectives had been almost entirely a governmental responsibility (Cowe & Porritt, 2002). Since the public sector has not assumed entire responsibility for many services within the social welfare, the tax revenues in the United Kingdom are slightly below the European Union average, amounting to 37.4 % share of GDP in 2000 (SKV, 2003, p. 301). The British state can be said to practice non-intervention, leaving as much as possible to the market (Andersen et al., 2001). The strong voluntary sector in the United Kingdom has gained in importance since that the Labour Party came into power 1997 and it has maintained the broad shift in the boundary between public and private. Voluntarism is associated with the British state tradition where employers and trade unions regulate wages and working conditions through collective agreements without state interference. There exists a relationship between the labour movement's and the Labour Party but it starting to fray due to diverse opinions on privatization (Internet, Encyclopedia 1, 2004).

Figure 7 (p. 16) classifies the United Kingdom as applying a Central European welfare strategy (Noll et al. 1, 2003). The public welfare system is in a middle position compared to other European countries, meaning that there is no extreme emphasize on either public or private responsibility in social issues. Rather, the national welfare system is built up on a division of responsibilities between the two sectors. The labour market is medium strong, largely due to the somewhat limited possibilities for women to combine the role of motherhood with a career. The supply of public childcare and parental allowance has a restricted effect on the amount of women in labour. The same study reveals that there exists a relatively large variety of income in the United Kingdom. The percentage according to European statistics of poor people in the country amounts to 21 %, which is remarkably high in a Central European comparison (Noll et al. 2, 2003, p.1). The consequences of poverty are most obvious among vulnerable groups in society, such as unemployed, single parents or families with many children.

In the United Kingdom SMEs total 99.8 % of all enterprises (Halvarsson & Larsson, 2004, p. 16). The UK government is committed to extend and improve the government support for small business (Internet, SBS 1, 2004).

The United Kingdom has recognised the many objectives of the *Lisbon strategy* and has achieved relatively good results so far in a comparison between the European Union member states (EC, 2004). Its' achievements and shortcomings are presented in Appendix 2. In the "barometer of sustainability" from 2001, the United Kingdom is ranked as number 33 in the world (Prescott-Allen, 2001). The UK government makes use of the business sector to reach sustainability and promoting CSR is therefore a prioritised issue within government.

7.2 Promoting CSR

The UK government has an ambitious vision for CSR and has developed an all-embracing strategic framework to manage it efficiently (DTI 1, 2002). It recognises the governments' unique mandating role of ensuring the legal and fiscal framework to promote CSR. However, the emphasis is on supporting voluntary activities and not regulate (pers. mess., Rahman, 2004). To drive the agenda forward, the work on these issues is done in collaboration with third parties such as business and community organisations in terms of reciprocal support (DTI 1, 2002). During the research process, the government's partnering role has been observed through the creation of public-private partnerships in several areas related to CSR.

The United Kingdom has taken a lead on many aspects of CSR and the government aims to maintain and strengthen this momentum. The UK government has addressed priorities and keynote actions in a governmental strategy on CSR (Appendix 3). The five prioritised issues are quoted below (DTI 1, 2002, p. 45):

- Raise the profile and highlight the importance of social and environmental responsibility
- Make responsible behaviour a consideration of organisations' core operations
- Assist the involvement of SMEs
- Promote greater transparency in CSR reporting and awareness in the marketplace
- Promote and facilitate good practice internationally as well as in the United Kingdom

As the first country in the world, the United Kingdom appointed a minister for CSR in the year 2000 (Doane & Potts, 2001). The CSR minister's responsibilities are promotion and support of the actual concept (pers. mess., Rahman, 2004). Current CSR minister is Stephen Timms. Within government, the Department of Trade and Industry (DTI) acts for consumers, work with business and employers with the aim to increase competitiveness to generate higher levels of sustainable growth and productivity in the United Kingdom (Internet, 10 Downing Street 1, 2004). DTI is the department primary responsible for promoting CSR from a governmental level. An interdepartmental group has been established to improve coordination of activities to promote CSR across the government (EC, 2001). Recently, the UK government launched a new website¹² to communicate its' activities within CSR, which

¹² Guidance to further reading: <http://www.csr.gov.uk/>

further strengthens the impression that it uses the Internet extensively for such purposes. In a wider perspective, the governmental strategy on CSR ties in with the British national strategy for sustainable development.

7.2.1 British national strategy for sustainable development

The United Kingdom was the first country in the world to produce a national strategy for sustainable development, as early as in 1994 (Internet, SD 1, 2004). The present national strategy was published in May 1999 (Internet, SD 2, 2004). It was named *A better quality of life* to reflect the core message of ensuring a better quality of life for everyone, now and for generations to come. The strategy includes objectives for the United Kingdom to strive for in the social, environmental and the economic area, both nationally and internationally. The strategy states that the UK government policy will take account of ten guiding principles (Internet, SD 2, 2004), identified in Box 5.

- putting people at the centre
- taking a long term perspective
- taking account of costs and benefits
- creating an open and supportive economic system
- combating poverty and social exclusion
- respecting environmental limits
- the precautionary principle
- using scientific knowledge
- transparency, information, participation and access to justice
- making the polluter pay

Box 5: Ten guiding principles for the United Kingdom's national strategy for sustainable development (Internet, SD 2, 2004).

The United Kingdom is currently revising their national strategy for sustainable development published in 1999 (Internet, SD 3, 2004). An updated strategy will be drafted in early 2005, after a public consultation process. The new strategy aims to contain a strategic framework for sustainable development, co-owned and agreed by the devolved administrations and the government. Beyond the framework, separate detailed strategies will ensure that steps are taken forward.

7.2.2 International engagement in sustainable development and CSR

In addition to the extensive national work on CSR, the UK government promotes international work (DTI 1, 2002). Recently, a draft strategic framework for the international

dimension of CSR was published¹³. The United Kingdom uses the global forum and has supported several multilateral initiatives in the CSR area such as the *Global Compact*, the *OECD Guidelines for Multinational Enterprises* and the *ILO Declaration on Fundamental Principles and Rights at Work*. The government put focus on the impact of business overseas through the Department for International Development and the Foreign Commonwealth Office.

The need to simplify the negotiations at the international level is emphasised by the United Kingdom (UN 4, 2002). It assumes that a reduction in the number and length of negotiations and meetings is possible. The United Kingdom has ratified a number of international conventions and agreements related to sustainable development. It is an international instigator in the CSR area and was active in the *World Summit on Sustainable Development 2002* in Johannesburg, where they stressed the importance of making globalisation work for sustainable development, especially for the poorest (DTI 1, 2002).

Through their membership in the European Union, the United Kingdom has an opportunity to affect the creation of the European approach, which in turn addresses these issues internationally. The UK government responded verbosely to the European Commission *Green Paper* on CSR (UK Government, 2001). The fundamental message in the written response were that efforts to promote CSR at a European level should be focused on mainstreaming the CSR message and seek to support those national activities that are already in place. Issues that were particularly emphasized were economic regeneration and international development. In addition to the participation in the creation of a European Union approach, the United Kingdom was one out of four European governments who formed an informal network in 2000, aiming at organise an on-going discussion; generate knowledge; exchange experiences; and further develop the dialogue with the European business community (Gribben et al., 2000). The UK government recognises the difficulties that SMEs may face from an increasingly shifting power transfer to the European level and has taken actions to address this through setting up a small business office lobbying in Brussels (pers. mess., Wilshaw, 2004). Facilitating social responsibility is one of the issues that the small business office addresses.

7.3 Facilitating social responsibility

The UK government has addressed social responsibility as an increasingly important business issue for the SMEs in the future (Internet, Society and Business 4, 2002). Many initiatives have been taken by the UK government to facilitate the SMEs work with social and environmental concerns (Ikei, 2001). In recent years, the government's cooperation with the voluntary sector has become more important in delivering some of the support measures (Andersen et al., 2001).

To encourage more SMEs into socially responsible activities, two strategic steps have been outlined by the UK government (Ikei, 2001). The first step aims to understand the

¹³ Guidance to further reading: http://www.dti.gov.uk/sustainability/weee/corp_soc_resp.pdf

drivers that encourage SMEs to become involved in social responsibility. The second step intends to develop greater clarity on the support measures required helping SMEs become more involved.

Support for SMEs is largely co-ordinated through the government's Small Business Service (SBS) (pers. mess., Leavens, 2004). SBS is an agency of the DTI and it has a close collaboration with the rest of the government (Internet, SBS 2, 2004). Several observed initiatives from the SBS reflect their facilitating and endorsing public sector role.

The SBS is trying to make it easier for small businesses to access government by delivering through a single brand called the *Business Link* (pers. mess., Entwisle, 2004). This includes a network of advice centres run by local providers for small business around the United Kingdom (Internet, Business Link 1, 2004). The *Business Link* services are available online. The *Business Link* aims to be the main delivery service for the British government to promote social responsibility among SMEs. SBS also partners other organisations throughout the rest of the United Kingdom.

SBS encourage responsible business through their handbook¹⁴ for SMEs and SME advisors (Internet, Society and Business 4, 2004). The handbook gives advice on social responsibility and intends to suggest the benefits in considering these issues for businesses. SBS also offer a Benchmark Index¹⁵, to which a social responsibility module has been added as a powerful best practice tool (Internet, Society and Business 4, 2004). As a part of an overall estimation of business performance the *SME Benchmarking Module* allows companies to benchmark their work with CSR. It aims to help SMEs to improve their competitiveness and profitability (Internet, Benchmark Index 1, 2004).

The partnering role of DTI and SBS becomes obvious through their cooperation with third parties in order to support British SMEs with social responsibility. The collaboration tend to be in support of specific initiatives which align to government objectives in the area of CSR (pers. mess., Leavens, 2004). The DTI have collaborative programmes with e.g. the British Chambers of Commerce and the Institute of Directors (Internet, DTI 1, 2004). An organisation that receives governmental support of several initiatives that will be covered further on in this section is Business in the Community (BITC).

BITC is an independent business-led charity organisation in the United Kingdom (Internet, BITC 1, 2004). It aims at inspiring, challenging, engaging and supporting business in their efforts of continually improving its positive impact on society, as well as supporting member companies in developing a global approach to their CSR practice. Set up in 1982, BITC is one of the largest and oldest organisations promoting CSR (Cowe & Porritt, 2002), and it has become a focal point for similar national organisations developing in other parts of the world (Internet, BITC 2, 2004). BITC consists of 700 member companies, with a further 1600 participating in programmes and campaigns (Internet, BITC 1, 2004). It operates internationally, building a global partnership network of similar intermediary organisations to share best practice and provide a service to global companies (Internet, BITC 2, 2004). It

¹⁴ Guidance to further reading: SBS Handbook - Encouraging responsible business, David Irwin, 2002. To be found at: <http://www.sbs.gov.uk/content/pdf/sbsbrochure1.pdf>

¹⁵ Guidance to further reading: http://www.benchmarkindex.com/index_flash.html

collaborates with the International Business Leaders Forum (IBLF) and is the co-ordinator of the Cecile Network (Internet, BITC 3, 2004). BITC is CSR Europe's national partner organisation and is responsible for the British involvement in the *CSR Campaign*. Through these networks, its' global partners total 45 organisations (Internet, BITC 1, 2004). BITC runs several key initiatives within the CSR area (Internet, BITC 4, 2004).

BITC offers a *SME Toolkit* (Figure 8) online, which aims to guide SMEs in their work with social responsibility (Internet, Society and Business 4, 2004).

Figure 9: SME Toolkit website¹⁶ (Internet, BITC 5, 2004).

The *SME Toolkit* is a self-reporting tool which guides SMEs to create their own simple social report (DTI 1, 2002). It is easy to navigate within as it allows the user to choose what specific area that he needs help with. All seven areas contain answers to why you should bother and how to begin. The toolkit is a cross-European project and is supported and the European Union for further development in a multi-country collaboration (Internet, Society and Business 3, 2004). CSR Europe has collaborated with BITC to agree on the assessment criteria for the toolkit. BITC provide the toolkit on their website as a beginner's guide to social responsibility. Since the toolkit is provided on the Internet it is accessible to a large amount of businesses, easy to follow and grasp.

Another guide to social responsibility from BITC is the document *Winning with integrity* (BITC, 2000). It aims to guide organisations through the massive information available of good advice on CSR (BITC, 2000). This document can be helpful to businesses

¹⁶ The *SME Toolkit* is to be found at: <http://www.bitc.org.uk/resources/toolkit/index.html>

that want to increase their knowledge about CSR or to those who want to get started in their work with CSR issues.

The governmental-supported BITC initiative *CommunityMark* is a national standard for British SMEs (Internet, BITC 6, 2004). It aims at increasing small business recognition for engaging in the local community and provides a model with potential to maximise both community impact and business benefit. To get *CommunityMark*, companies need to work with a community partner, e.g. school (pers. mess., Southwell, 2004). It provides structure and a simple step by step model, which is flexible enough to be applicable to all types of SMEs regardless of size and previous involvement in similar programmes. This standard was developed specifically for SMEs and provides a clear structure. A company will achieve *CommunityMark* by filling in a questionnaire and submitting their answers with evidence (Internet, BITC 7, 2004). The questions are straightforward and wide enough to be relevant for SMEs of all sizes. The process does not require a lot of paperwork but are designed to help businesses to integrate their community program into their business planning. Through becoming involved in the *CommunityMark*, the company can join a network and be inspired of other SMEs successful work in the field of social responsibility. This project has been a success in the United Kingdom with 274 committed SMEs so far (pers. mess., Southwell, 2004). BITC is expecting significant expansion and is currently scaling up the project.

The government also funds a project called *Business Brokers*, which is being run by BITC and the British Chambers of Commerce (Internet, BITC 8, 2004). The program objective is to have so-called business brokers that support and encourage companies to work with social and environmental issues all around the United Kingdom. The programme was developed to support the Local Strategic Partnerships¹⁷ and is boosting input to them. They are also working to regenerate poor areas in the United Kingdom, called neighbourhood renewal, by matching the community needs to business interest.

One part of governments' facilitating role is to acknowledge responsible business practice. DTI sponsors the *Award for excellence*, where BITC recognise business valuable contribution to society (Internet, BITC 9, 2004). It improves the government's work to spread good practice and stimulate higher standards of performance. The *Award for excellence* is based on the *European Foundation for Quality Management Business Excellence Model*, which identifies innovative and replicable models for business engagement in CSR. The impact of companies integrating responsible business practises into their mainstream operations to impact on the environment; the marketplace; the workplace; and the community is recognised by the *Awards for excellence* (Internet, BITC 10, 2004).

BITC has initiated a Business Impact Task Force to develop a practical framework which suggests how companies might measure and report on their impact on society (BITC, 2000). The aim of the work of the Business Impact Task Force is to identify company best practise that maximize competitive as well as social benefits and to encourage organisations to measure their impact on society and communicate what they do.

¹⁷ Local Strategic Partnerships (LSPs), a new local partnership, which bring together public services, business and voluntary and community groups to improve local areas (DETR, 2001).

Leading British CSR organisations¹⁸ have come together “around the table” in order to raise the reputation, competitiveness and profitability of SMEs through improving their social, environmental and community impact (Internet, BITC 11, 2004). It is called the *Small Business Consortium* and was created out of inquiries from British SMEs to deliver the message of social responsibility through the organisations that SMEs already know about (pers. mess., Grayson, 2004). Through adopting a common framework it is possible to send out the same messages to all SMEs and thereby avoiding confusion (Internet, BITC 11, 2004). In addition, the participants of the consortium want to build up a European case study library that is relevant for SMEs and stakeholder organisations.

Guidance to further reading

This chapter has among other things pointed out a number of influential CSR actors and their support measures for CSR in SMEs in the United Kingdom. There are several other organisations that support the British SMEs in social responsibility, such as British Chamber of Commerce; Institute of Directors; AccountAbility; Enterprise Insight; Forum of Private Business; Confederation of British Industry; Corporate Responsibility group; Envirowise; Small Business Europe.

¹⁸ BITC; Institute of Directors; the British Chambers of Commerce; Forum of Private Business; Federation of Small Businesses (Internet, BITC 10, 2004).

8 Comparative analysis

This chapter intends to provide a comparative analysis in order to explain the differences and similarities of governmental support for social responsibility in SMEs in Sweden and the United Kingdom. The political context can explain each country's governmental approach to CSR, which in turn affects national initiatives to facilitate social responsibility in SMEs.

8.1 Political context

Noll et al. (1, 2003) classify Sweden as a part of a Nordic European welfare strategy and the United Kingdom as a part of a Central European welfare strategy. This is a central aspect where the two countries differ and it has a considerable effect on the way that CSR issues are handled. The different welfare strategies mean an increased responsibility on the private sector in the United Kingdom compared to Sweden's strong public welfare system. Due to this, the voluntary sector is of more importance in the United Kingdom than in Sweden.

Currently ruling Swedish Social Democratic Party and the United Kingdom Labour Party are part of the same political movement and sister parties in Socialists International (Internet, SI 1, 2004). However, there are differences of the welfare politics driven by these two parties, not least in the allocation of responsibilities between the public and private sector. The United Kingdom faced many restructuring political challenges during the 1980s, which introduced the private sector into markets where the public sector had a strong foothold by tradition. Sweden has not experienced such a revolutionary public-private reform. The Swedish Social Democratic Party applies a model with heavy taxation to finance their extensive responsibilities for social services whereas the United Kingdom is below the European average with regard to taxation as a percentage of GDP. To a greater extent, the UK government needs to rely on the private sector to take part of the responsibility to ensure the national welfare. The support for the private sector to do so makes the United Kingdom particularly active in the CSR field. An example is the relatively large share of poor people in the United Kingdom that contributes to the fact that charity is a greater issue within CSR than in Sweden. In Sweden, trade unions have formed long-term relationships with the Social Democratic Party, whereas the regulation of wages and working conditions are to a greater extent left to market forces in the United Kingdom and therefore becomes an issue within CSR.

8.2 Promoting CSR

Both countries experience a confusion of terms in respect to the many synonymous words to describe responsible practises all over the world. In Sweden, even more terms than in the United Kingdom can be observed to describe CSR activities, both in Swedish and in English. This appears to have led to an even greater confusion of terms in Sweden than in the United Kingdom. Within the Swedish government, the term CSR has been used mainly to describe

responsible business activities towards developing countries, which provides an impression that the Swedish focus mainly is on these issues. The dimensions that are included in the concept are being dealt with at a national level as well, covering issues within e.g. the Swedish local community. The Swedish government doesn't consistently call it CSR. Both governments recognise that there are many SMEs throughout the countries that work with socially responsible issues without putting a name on it.

Sustainable development has been made high profile in both governments and they have both developed a national strategy for it in line with the United Nations decision. Both Sweden and the United Kingdom are keen on the governmental decisions to be pervaded by a sustainable perspective. In the United Kingdom, a specific governmental strategy on CSR ties in with their national strategy on sustainable development. The British work on CSR is focused and provides a joint statement on how the UK government should take on the CSR issues. A joint approach on how to manage CSR strategically on all levels is not apparent in Sweden. Both countries have recognised the potential benefits on society from getting SMEs engaged in working towards sustainable development. The assistance to SMEs in social responsibility has been raised to a strategic level in the UK government.

The two countries' national strategies on sustainable development may seem similar at first glance. They have both pointed out areas of specific interest for the government to address, derived from the social, environmental and economic dimensions. These prioritised issues are drawn from the conception of what is important to work with due to the national context and vary in different aspects. For example, a guiding principle found in the United Kingdom strategy is combating poverty and social exclusion. Sweden has not spelled out poverty as an issue of specific importance. To Sweden, that issue is not that urgent since the level of poor people are among the lowest within EU-15. Both strategies are regularly updated to ensure a topical approach.

The internal governmental work on sustainable development and CSR is prioritised in both Sweden and the United Kingdom. Comparable governmental departments are the Ministry of Industry, Employment and Communications in Sweden and in the Department of Trade and Industry (DTI) in the United Kingdom. To a great extent they work with similar issues that concerns development of the national industry and competitiveness. However, their approaches to CSR differ. The Swedish main focus is international, whereas the United Kingdom has a national emphasis. DTI has a central role in the British governmental work on CSR. The Swedish Ministry of Industry, Employment and Communications are not directly associated to CSR, although many of its activities are issues covered by the CSR definition. In Sweden, many people associate CSR to the Ministry for Foreign Affairs since it uses CSR as a label for their work on the *Swedish Partnership for Global Responsibility*, which has attracted a lot of attention. Both Sweden and the United Kingdom have taken action to improve coordination of their TBL activities across the government, through a group (United Kingdom) or a unit (Sweden). This signals a consciousness in both countries of the importance of making all parts of the government to feel involved in sustainable development or CSR.

Both the British DTI and the Swedish Ministry of Industry, Employment and Communications work through agencies to develop programs within social responsibility

specifically designed towards SMEs. The primary agencies are the Small Business Service (SBS) in the United Kingdom and Nutek in Sweden. The governmental delivery service *Business Link* in the United Kingdom does not have an obvious counterpart in Sweden. Through this brand, the UK government has an opportunity to gather their services towards businesses more efficiently than the Swedish government.

More private sector initiatives in the CSR area are observed in the United Kingdom than in Sweden, e.g. from BITC. The UK government is making use of its' partnering role when collaborating with the private sector, more extensively than the Swedish government in designing support measures for SMEs. DTI supports many non-governmental initiatives from organisations such as BITC, which align to government objectives in this area. BITC delivers programmes in partnership with the governmental *Business Link* network. The role of BITC cannot be compared to that of any Swedish business-led organisation. Private initiatives help the UK government to take the issues forward in a way that is not comparable to the situation in Sweden. The task to instigate supportive mechanisms towards SMEs is more of a solitaire governmental responsibility in Sweden. Both countries' governments are using their mandating, facilitating and endorsing role when stimulating businesses ethical work.

Some governmental CSR activities have been carried out more or less simultaneously in Sweden and the United Kingdom. That could be explained by the fact that the same powerful international forces have influenced them both, e.g. the responses to the European Commission *Green Paper* on CSR in 2001. Other similar activities are separated by years. In general, the United Kingdom has been a pioneer in such cases. The UK government published a national strategy for sustainable development three years in advance of the target date set up by the United Nations. Sweden published their national strategy just a few months before the target date in 2002. The United Kingdom established a coordination group for governmental CSR activities prior to Sweden. The appointing of a CSR minister in the United Kingdom shows a pioneer spirit within CSR and the minister has no correspondence in Sweden. A holistic approach has been practised in the United Kingdom several years and such an extensive governmental Swedish effort for CSR cannot be observed.

The international forces that aim to homogenize the CSR concept have a great influence on both Sweden and the United Kingdom. They both address the international recommendations carefully and regard them as important. Both Sweden and the United Kingdom are engaged in the ongoing debate about CSR and the international efforts to promote it. Each country has strongly supported multilateral initiatives to promote CSR, such as the *Global Compact*. Sweden has taken these principles one step further through the development of the *Swedish Partnership for Global Responsibility*.

8.3 Facilitating social responsibility

The UK government encourages SMEs to work with social responsibility in various forms. It offers a joint approach to all dimensions of the concept and thereby enables businesses to take on a holistic approach to social responsibility or to pick a specific part that they want help with e.g. *Winning with integrity*; *SME Toolkit*; *SBS Handbook*; *Benchmarking Index*. Support

measures that aim to engage British SMEs in a specific issue within social responsibility are also available, such as *CommunityMark* or *Business Brokers*. The Swedish support measures for SMEs are usually targeted towards a specific dimension within CSR. No extensive joint effort for social responsibility has been specifically targeted to Swedish SMEs yet. However, a number of solitaire Swedish actors are running smaller projects with a TBL perspective with governmental support. The ALMI project *The Social Venture* and the *Triple Logic* are examples of such. That implies an increasingly extending focus to include all three parts of sustainability into one concept among Swedish actors.

Both countries have taken part in international initiatives to reach SMEs, such as CSR Europe's *CSR Campaign* and the European Commission DG Enterprise project *Responsible Entrepreneurship*. However, the United Kingdom is particularly active in creating supporting tools for SMEs in cooperation with other countries, such as the *SME Toolkit*.

The governmental approaches to CSR in each country can be linked to a number of specific initiatives related to social responsibility. For example, it is explicitly stated in the Swedish national strategy for sustainable development (2002) that the Nutek program *Environmental-driven Business Development* is a response to the core area economic growth and competitiveness. A guiding principle in the United Kingdom strategy for sustainable development is combating poverty and social exclusion, which ties in with the program *Business Brokers*. Each country's response to the European Commission *Green Paper* on CSR also reflects national initiatives to support social responsibility. One of the things that the Swedish response to *Green Paper* brings up is the importance to support women, which is reflected in Nutek's *Program for Promoting Women's Entrepreneurship*. The British response underscores the importance of mainstreaming the whole concept of CSR, which in fact pervades their overall approach to promote CSR. The links between the United Kingdom governmental approaches to CSR and their support measures towards SMEs are particularly apparent through its developed strategic framework.

More areas are identified within the range of support measures for social responsibility in the United Kingdom compared to Sweden. The explanation for this is to be found in the fact that Swedish public institutions cover certain areas that the private or voluntary sector takes more responsibility for in the United Kingdom. An example is the support measures for working conditions in the United Kingdom, e.g. as a part of the *SME Toolkit*. In Sweden, the trade unions in cooperation with the public sector take on a significant part of the issue, making it less urgent on the CSR agenda.

9 Conclusions

The aim with this study was to provide case studies on how the governments in Sweden and the United Kingdom respectively handle and communicate the message on CSR due to the complexity and the politics involved. Chapter 8 provided the analysis needed in order to give an overall picture of each country's governmental support for social responsibility in SMEs and put them into comparison. The key findings from the comparing results will be summarized and presented in bullets and a matrix (Matrix 1) in order to clarify our findings. Finally, a reflection of the conclusions will be carried out.

Political context

- Sweden is part of a Nordic European welfare strategy and the United Kingdom is part of a Central European welfare strategy.
- The UK government relies on the private and voluntary sector to a greater extent than the Swedish government to achieve sustainability.

Governmental approaches

- The UK government uses the concept CSR more consistently than the Swedish government.
- Both Sweden and the United Kingdom have managed sustainable development strategically. In addition, the UK government has developed a strategic framework on CSR, including specific actions to assist SMEs.
- The United Kingdom has a national focus on CSR in contrast to Sweden's international focus.
- The governmental work on CSR is not directly associated to the corresponding departments in the two countries, although both governments recognise the importance of all departments to work coordinated towards a common objective.
- The many private sector initiatives that exist in the United Kingdom allow the UK government to make use of such to a greater extent than the Swedish government.
- Both are active in the international work on sustainable development, but the United Kingdom has been particularly pioneering in adapting CSR.

Initiatives to support SMEs with social responsibility

- The United Kingdom offers SMEs a joint approach to all dimensions of the CSR concept, whereas Sweden primary focuses their efforts towards specific areas.
- The governmental approaches to CSR in each country can be linked to some specific initiatives related to social responsibility but the links are particularly apparent in the United Kingdom through their developed strategic framework.
- Numerous holistic support measures for social responsibility can be observed in the United Kingdom compared to Sweden since the UK private sector bears a more extensive responsibility for issues on the CSR agenda.

	Sweden	United Kingdom
Political context		
European welfare strategy	Nordic	Central
Private responsibility for sustainability issues	Limited	Extensive
Governmental approaches		
Use of the term CSR	Inconsistent, several terms are used	Relatively consistent
Strategic framework for CSR	No	Yes
Main CSR focus	International	National
Governmental department primary associated with CSR	Ministry for Foreign Affairs	Department of Trade and Industry
Governmental cooperation with private sector initiatives	Limited	Extensive
International CSR role	Forefront	Pioneer
Initiatives to support SMEs with social responsibility		
Approach towards CSR	Specific	Joint
Links between governmental approaches and initiatives	Apparent	Clear
Holistic support measures for social responsibility	Few	Several

Matrix 1: Comparing results.

The national welfare strategies and responsibilities in Sweden and the United Kingdom result in different governmental handling and communication of the message on CSR. Two opposite trends can explain the practical differences, but also points of similarities, that exist in European countries. The national context sets the preconditions for each country's work on CSR and is counteracting the creation of a European approach towards CSR that aims to harmonize the countries' procedures. CSR is the business sector's voluntary contribution to sustainable development. The concept of CSR appears to be more established in the United Kingdom compared to Sweden. The Swedish governmental focus on sustainable development rather than CSR results in that the business sector is not specifically pointed out to bear a significant responsibility of contributing to sustainable development, although businesses often is mentioned in the Swedish political debate as an important stakeholder. The UK government has embraced the CSR concept due to the fact that the voluntary sector is strong by tradition and encouraging CSR is a way to strategically manage it within the already existing allocation of roles. That can explain the pioneering work of CSR in the United Kingdom. The strategic governmental CSR approach in the United Kingdom results in focused support measures for social responsibility among SMEs. However, the number of CSR initiatives in a specific country does not automatically imply that it is more or less ethical than another country. The definition of CSR used in this paper and by the European Commission mean that similar activities are classified differently depending on who is carrying them out.

10 Epilogue

Our study has provided insights about governmental support for social responsibility in SMEs. Given this topic and our conclusions in the previous chapter, we have identified three areas of particular interest for further research.

First, analysis of social responsibility in SMEs has received little attention from researchers in comparison to large enterprises. Southwell (pers. mess., 2004) experiences a lack of research in on how social responsibility affect small businesses growth. She points out that research is also needed regarding larger companies support to smaller business and supply chain issues in the United Kingdom. A Swedish study (Luistro-Jonsson, 2003) indicated that in Sweden only quality and to some extent environmental requirements diffuse into the supply chain, whereas social requirements not yet have penetrated into the supply chain. Further national and international research in related areas is needed.

Second, the relationship between governments and business in its various forms is another interesting area for further research. It would be useful to study how governments can reach SMEs but also how SMEs can access government e.g. through a brand (cf. *Business Link*). Another interesting subject suggested for further investigation is governmental alternatives to legislation. Gribben et al. (2000) brought up the development of new social partnerships between government and business. The study describes the boundaries between government and business to be not as clear as it has been traditionally. The national governments' position to provide certain goods and services that benefit the whole society are shifting towards a privatisation of public services. This paper provides examples of such public-private partnerships in the United Kingdom. Gribben et al. also identified an emerging approach towards governmental collaboration across the range of departments and different levels of government looking externally for potential solutions. This joined-up government thinking has been observed in this paper and the comparative analysis reveals that it is practiced in both Sweden and the United Kingdom within the CSR area.

The third topic that we would like to point out based on our conclusions is the development of successful support measures that governments can use in the area of social responsibility. All interviewees agreed on the relevance of including SMEs in the work on CSR. The practice of strategically supporting SMEs in these issues is relatively new and it is still under development. It involves a complexity derived from the concept of CSR, the many stakeholders involved and the heterogeneous SME sector itself and there are no obvious answers to the best way to carry it out. Although the aim of this paper was a comparing approach, some of the written material covers and discussions during the interviews have expanded to include how to best develop support measures for social responsibility targeted towards SMEs. Better data is needed to further enhance specific support measures for SMEs. Nutek is keen on seeing such research being carried out (pers. mess., Henningsson, 2004). Grayson (pers. mess., 2004) would like to take part in an investigation of the relative pros and cons of different ways of reaching small businesses with these messages. He inquires research on how to decide on where to invest your money at best if you have a limited budget to reach SMEs. Mapping the best routes to the market and clarify where you would get the best take-up of your messages would be another interesting area to study according to Grayson. Another

area to study could be how SMEs perceive the support measures targeted towards them and map out if they are well known, extensively used and appreciated.

How to best engage SMEs in community and social issues has been investigated in a British report on behalf of DTI (DTI 2, 2002). This report provides recommendations on the UK government to ensure a consisting collaboration with third parties, such as BITC and CSR Europe. Delivering the message of social responsibility through networks of third parties are stressed as efficient since the SMEs who are most engaged with networks to a greater extent are already engaged and regard such issues as important. Actions to benefit by these findings has been carried out in the United Kingdom e.g. through the *Small Business Consortium* and if it is the right way to go for other countries can be discussed.

There are many different reasons why small businesses are not already involved in social responsibility and getting them involved includes dissimilar motivations. Southwell (pers. mess., 2004) stressed the difficulties in pointing out one best strategy to reach out to those SMEs who are not already interested in these issues. The businesses that are not engaged at all are the hardest to reach. It would be a mistake to say “do all or nothing” to them. Instead the focus should be to get them on that first small step of just doing anything. It is important to try and find out which buttons that is needed to press with each small business. There is also a need to get the small businesses to realise that the work they already are doing within these issues is something that they should shout about and hold their head up for.

Reaching SMEs and making them understand the benefits from working with these issues is quite difficult due to the fact that it is a diffuse sector. The importance of fitting the programs with the characteristics of SMEs in order to get them engaged was discussed during several interviews. Southwell (pers. mess., 2004) pointed out the successful experiences from *CommunityMark* where they developed support measures especially for SMEs and not reconstructed them out of similar support for larger enterprises. Grayson (pers. mess., 2004) stressed the need to keep the models simple by developing the right kind of language, the right agenda appropriate for SMEs and to use the channels that they know and trust. The importance of developing simple tools that don't confuse SMEs and providing practical examples for SMEs were emphasised by several interviewees (e.g. pers. mess., Grayson; Ågren; Henningsson, 2004). Southwell (pers. mess., 2004) would like to see thousands of case studies from all around the world to be able to show a particular company that good examples exist among firms with similar preconditions.

Accessibility of support measures in order to have a penetration on the SME sector were brought up by Ågren (pers. mess., 2004). Grayson pointed out the Internet as a potential revolutionary tool for CSR as a concept. The Internet use worldwide is increasing at a rapid pace and BITC recognises the possibility to communicate their message to a large amount of enterprises in a fast, cheap and easy way, e.g. *SME Toolkit*. The UK government makes use of the Internet through e.g. *Business Link* and the SBS has made it high priority to develop the brand e.g. through the website (pers. mess., Entwisle, 2004). However, the SBS has not yet convinced everybody across the UK government that moving towards a single brand is a good thing to do. The penetration from the *Business Link* has not been as significant as the SBS would like it to be. Developing initiatives and tools to support the work with social

responsibility is not sufficient if the penetration is low. Knowing how to achieve a great impact from the support measures is just as important.

The tendency in the past is that SMEs have been below the radar screen when it comes to CSR. Grayson (pers. mess., 2004) has observed that people often get the assumption that well-established international companies that work with CSR must teach small firms. However, there is a lot of innovation and creativity going on among SMEs. Many SMEs don't shout about their performances in the social and environmental field to the same extent as larger companies do (pers. mess., Southwell, 2004). An explanation for this could be that many SMEs are not aware of the benefits of presenting their work with these issues. SMEs can find many new solutions of environmental and social problems, which then can be made available for large companies and not just the other way around. BITC has also experienced that large enterprises have been asking for tools to support SMEs through the supply chain.

One of our conclusions is that the United Kingdom is pioneering in developing support measures for social responsibility. This is consistent with a study published by Ikei (2001) that points out the United Kingdom and Denmark as the countries developing the most support policies towards enterprises from a European Union perspective, where several interesting SME specific activities are being carried out. Through good examples of interactions between organisations and concrete successful support measures countries can learn from each other. However, support measures cannot simply be transmitted from one country to another but need to be adjusted to national conditions.

The work within the CSR field is in an ongoing phase not only when it comes to SMEs. The interviewees were asked to suggest future scenarios for the development of CSR in general. Kanter (pers. mess., 2004) expressed that the future work with CSR will probably continue to be sprawling for a long time. Henningsson (pers. mess., 2004) believes that the governmental support will be extensive at first and slowly decline with the establishment of the CSR concept. The importance to create possibilities out of the future problems, e.g. through environmental technology and new technologies for solving problems in the social area were expressed by Silbermann (pers. mess., 2004). Gaverstedt (pers. mess., 2004) would like to see a general enhancement of the awareness and knowledge of CSR issues in the society. Southwell (pers. mess., 2004) hopes that CSR in the future will be a part of every single element of how to run a business and that they can't afford not to be doing it if they want to be successful. Ågren (pers. mess., 2004) expressed a vision of united efforts to agree on a common goal on CSR to make people feel that we are working towards the same goal. She would also like to see more alliances between businesses that are in the forefront to push the development forward. A vision that CSR will not be needed in the future at all were expressed by Berheim (pers. mess., 2004).

We hope that this study has contributed to the understanding of how the message on CSR is handled and communicated by government in different countries due to the complexity and the politics involved. Countries can learn from each other within the practice of supporting SMEs but there is a need to be aware of what causes the existing differences and to be clear on the domestic preconditions. We hope that this paper offers inspiration to further research and future development of support measures for social responsibility among SMEs.

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Preparatory material for the interview XX/XX/2004

The interview concerns a comparative Master Thesis study about support measures for social responsibility within SMEs in Sweden and the United Kingdom. Questions will be raised within the following themes.

Theme: Opening questions

Personal thoughts about CSR in SMEs in the United Kingdom/Sweden and a brief description of how you are involved in these issues.

Theme: CSR in the United Kingdom/Sweden

How the social responsibility message is handled and communicated in the United Kingdom/Sweden due to the national conditions.

Theme: SMEs in the United Kingdom/Sweden

SMEs interest for social responsibility, their attitude towards governmental organisations, and characteristics of British/Swedish organisational culture.

Theme: Governmental efforts

Experiences from existing CSR services and priorities in the strategic work to reach SMEs.

Theme: Cooperation within the CSR field

Cooperation and coordination between governmental departments and third parties.

Theme: CSR in the future

Vision of CSR and development of existing support measures in the United Kingdom/Sweden. Requirements to follow CSRs evolution and maintain a leading position within CSR.

Appendix 2: Sweden and the United Kingdom's specific achievements and shortcomings in view of Lisbon objectives (EC, 2004, pp. 70-71).

SWEDEN
<p>Achievements</p> <ul style="list-style-type: none"> • Highest level and increase for gross domestic expenditure on R+D in 2001 • Measures undertaken to retain older workers and to promote the participation of the young in the labour force • Highest rate of employment in the EU for workers aged 55-64 and 2nd highest rate of female employment (1999-2002) • Maintains a leading position in the transition to a knowledge-based economy • Good performance for Kyoto target and burden sharing indicators
<p>Shortcomings</p> <ul style="list-style-type: none"> • Prices among the highest in EU, although price levels have declined (1999-2002) • Lowest and declining level of business investment in the EU (1999-2002) • Weak competition in some sectors, notably in public sector services
UNITED KINGDOM
<p>Achievements</p> <ul style="list-style-type: none"> • Low long term unemployment rate with an increase in the level of youth educational attainment (1999-2003) • Increased quality of public in spending (for education and transport) including reform initiative to boost training and basic skills. • Good performance for Kyoto target and burden sharing indicators • Below 1.5% transposition deficit target of Internal Market directives • Extension of R&D investment tax credit for large companies and identification of priority areas for increasing productivity
<p>Shortcomings</p> <ul style="list-style-type: none"> • Disappointing labour productivity levels, despite a recent increase (1999-2003) • Widening government deficit • Delay in the opening of the postal markets to competition • Disappointing level of gross domestic expenditure on R&D in 2001 with 2nd poorest level of business investment in the EU (1999-2002)

Government strategy on CSR

Vision

The Government has an ambitious vision for corporate social responsibility: to see private, voluntary and public sector organisations in the UK take account of their economic, social and environmental impacts, and take complementary action to address key challenges based on their core competences – locally, regionally, nationally, and internationally.

Strategy

Our strategy for advancing this vision is to:

- Promote activities that bring economic, social and environmental benefits
- Work in partnership with the private sector, community bodies, unions, consumers and other stakeholders
- Encourage innovative approaches and good practice
- Define decent minimum levels of performance
- Encourage awareness, trust and healthy public dialogue.

This ties in with the Government's strategy for sustainable development, with its aims of social progress, protection of the environment, prudent use of natural resources, and economic growth and employment.

Priorities and keynote actions

The Government has done a lot over the past year – but there is still a lot to do. Looking to the future, the Government will address five priority issues and take positive action in each:

- Raise the profile and highlight the importance of social and environmental responsibility.
Action: Take full account of opportunities to increase adoption and reporting of CSR as part of a continuing review of intelligent regulation and fiscal incentives.

- Make responsible behaviour a consideration of organisations' core operations.

Action: Take steps to establish CSR within the mainstream decision-making of organisations, with a strong focus on the environment, neighbourhood renewal, adult basic skills and international development.

- Assist the involvement of small and medium sized enterprises (SMEs).

Action: Create a step change in the consistency and quality of CSR guidance to SMEs by stimulating a joint approach among their key advisory organisations.

- Promote greater transparency in CSR reporting and awareness in the marketplace
Action: The Government will consult widely with all stakeholders to ensure that greater transparency and clarity is brought to the current confusing set of reporting models and codes of practice.

- Promote and facilitate good practice in CSR internationally as well as in the UK.
Action: Support the development of the Ethical Trading Initiative and other international, as well as, national work on best practice.

These keynote policies will be supported by steps to improve the impact and example of the Government's own activities, including consideration, within the policy and legal framework, of departmental public procurement practices.

The nature of these actions is described in more detail in the main body of this report.

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